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EFFECTS OF CANADIAN PORK IMPORTS ON UNITED STATES PRODUCERS

HEARING

BEFORE THE

SUBCOMMITTEE ON
FOREIGN AGRICULTURAL POLICY

OF THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

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EFFECTS OF CANADIAN PORK IMPORTS ON UNITED STATES PRODUCERS

THURSDAY, AUGUST 9, 1984

U.S. SENATE,
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:14 p.m., in room 328-A, Russell Senate Office Building, Hon. Rudy Boschwitz (chairman of the subcommittee) presiding.

Present: Senators Boschwitz, Jepsen, and Dixon.

STATEMENT OF HON. RUDY BOSCHWITZ, A U.S. SENATOR FROM MINNESOTA

Senator BOSCHWITZ. This hearing is to examine the reasons for the increase in imports of Canadian pork and to consider an appropriate response by the United States. There have been a number of reasons given to this, not the least of which are the exchange rates. Perhaps a strike in plants up in Canada and market reasons in general should be considered. Questions of subsidy, I think, should be important in this hearing, and the question of whether or not a hog import flow has come into the United States which will undermine the pork producers of this country at a time when agriculture in general is at a very sensitive point.

We have some good witnesses who will be talking about this. Senator Pressler will be our opening witness, and the Under Secretary for International Affairs, and others from the industry, as well.

We want to get to the bottom of this matter. I am not sure that the legislation that has been introduced on the House side is going to be appropriate over here, but this hearing is also directed at establishing whether there is some appropriate legislation, whether there is some appropriate action that we should take; whether there is a response in kind that perhaps is necessary. The farmers of this country, indeed, both require and desire our help. They are at a difficult juncture, and so we are here, indeed, to help them.

Senator Dixon, do you have a statement?

STATEMENT OF HON. ALAN J. DIXON, A U.S SENATOR FROM ILLINOIS

Senator DIXON. I have a very brief statement, Mr. Chairman.

Mr. Chairman, the dramatic increase in the volume of Canadian hogs and pork imported into the United States in the past 7 years has caused a great deal of concern among U.S. pork producers.

U.S. imports of live hogs from Canada averaged 100,000 animals each year between 1970 and 1974. Since 1981, such imports have increased yearly from 146,000 head to an estimated high of 1½ million head in 1984.

In addition, there has been a 30-percent increase in the import of pork products—fresh, chilled, and frozen—from Canada in the first 6 months of this year, compared to the same time in 1983.

The economic impact of these imports on U.S. pork producers has been estimated to be in excess of one-half billion dollars in 1982 and 1983, and approximately $300 million in the first 5 months of 1984.

U.S. pork producers are concerned that the trade problem with Canada can be attributed both to the value of the dollar and to the Canadian support program for pork.

Today, along with a number of my colleagues, I will be introducing a sense of the Senate resolution—incidentally, I understand that both you and my colleague and friend from Iowa, Senator Jepsen, are cosponsors—urging the President to direct appropriate members of the administration, including the U.S. Trade Representative, the Secretary of Agriculture, and the Secretary of Commerce, to aggressively pursue discussions with the Canadian Government directed toward resolving this issue.

I hope the hearing today, Mr. Chairman, will address the historical pattern of Canadian pork imports, the effects of these imports on U.S. pork producers, and present efforts by the U.S. Government regarding this issue.

Senator BOSCHWITZ. Thank you, Senator.

Senator Jepsen, do you have an opening statement?

STATEMENT OF HON. ROGER W. JEPSEN, A U.S. SENATOR FROM IOWA

Senator JEPSEN. Yes. Mr. Chairman, you are to be commended for holding this hearing to explore reasons for—and possible solutions to—the increase in imports of Canadian pork.

Hopefully, Under Secretary Amstutz, one of the witnesses here today, will be able to shed some light on what can be done to help resolve the problem. He has just returned from Ottawa where he met with some Canadian officials, and I am hoping he will be able to share with us some of the things that were discussed there.

Let there be no doubt; there has been a dramatic increase, as Senator Dixon has just announced, and many articles and many statistics that have been produced in the last several months have indicated that there is a dramatic increase in the amount of Canadian live hogs and pork products coming into the United States. Something has to be done about it.

As the leading pork producer, my State of Iowa has felt the impact. And I am certain that Don Gingerich, from my State of Iowa, who is here today, will be exploring the dimensions of this problem later in this hearing.

But I would like to touch briefly on what I know others will discuss during their testimony.

In the last 5 years, there has been a 10-fold increase in live hog imports into the United States from Canada. Also during that time, imports of chilled pork from Canada have risen from 2,000 to more than 93,000 metric tons, and we have tripled the amount of frozen pork imports.

So far in 1984, the volume of Canadian pork products coming into this country has nearly doubled. This translates into an estimated loss of approximately $470 million due to Canadian pork imports.

If anyone tells you that the Candian imports do not amount to anything significant, they are wrong.

But at the same time, it is important to remember that the United States and Canada are each other's largest trading partners. In 1983, total two-way trade between the two countries amounted to approximately $90 billion.

Our mutual trade in agriculture reached nearly $3.5 billion in 1983, with the United States running an agricultural trade surplus. It is estimated that U.S. exports to Canada translate into more than 1½ million jobs in the United States of America.

So, due to the magnitude and complexity of the trade relationship with Canada, I have not supported any effort to push hastily drafted protectionist legislation through Congress. I think that is something that we have to avoid. Rather, I have been working with officials of the Canadian Government and the U.S. agricultural community to develop a solution to the problem, as well as members of the U.S. Department of Agriculture.

In early May, with my colleage from Iowa, Senator Grassley, I petitioned the Finance Committee to seek an official investigation by the International Trade Commission on the competitive position of Canadian live hogs and pork in the U.S. market.

The International Trade Commission is now conducting this investigation, which will yield additional and more accurate information than that which is currently available in this trade controversy.

In mid-May I met with the Canadian Ambassador to discuss the Canadian pork issue, and specifically, the subsidization of Canadian pork exports through the Canadian stabilization program.

It is very difficult for U.S. producers to compete effectively with producers whose commodities are subsidized.

I formally requested that the Canadian Government restrict its exports of live hogs and pork to 1981 levels in an effort to diffuse the emerging trade crisis.

I also suggested that the Canadians ease access to Canadian markets for U.S. pork producers by eliminating the 30-day quarantine restrictions for pseudorabies in hogs going directly to slaughter in Canada.

I reiterated these proposals to the Canadian Consul General, Bernard Gagosz, during meetings in June and July. Mr. Gagosz has indicated that his Government is considering lifting the 30-day quarantine, or allowing live U.S. hogs to be shipped to slaughter in sealed transport. That is what he said that they are considering. We hope to make some progress on that.

He also stated that the Canadian Government is removing exports from the Canadian stabilization program. That was quite a big statement he made when he met in Des Moines with the pork producers here a few weeks ago, that was essentially missed, I think, by most, but he did indicate—or announced that the Canadian Government was not going to give any subsidy to any of the hogs that were exported. However, I am waiting for further details regarding this proposed policy change.

Mr. Chairman, it is our fear that the actions by the Canadian producers will not only depress pork prices in 1984, but will permanently take a valuable share of the U.S. market.

There are a number of proposals being offered to solve this problem, and frankly, I am skeptical about the possible effectiveness of some of them, especially any that would erect trade barriers between the United States and Canada. At a time when our agricultural trade balance with Canada tips in our favor, our farm community cannot risk a trade war with our neighbors to the north.

At the same time, our pork producers cannot continue to sacrifice their markets to subsidized competitors. We must develop a solution that accommodates the needs of the entire agricultural community.

I am encouraged by the efforts of the U.S. International Trade Commission, which has undertaken its study, and the U.S. Department of Agriculture, which sent a team to Ottawa to discuss this very issue. Secretary Amstutz will provide details of these developments, I hope, today. I am also encouraged by the willingness of the Canadian Government to continue a dialog on this matter.

However, if this dialog fails, I will support a reasoned legislative solution to the problem of Canadian pork imports. I hope that men of goodwill, men and women of goodwill of both countries can sit down and work this out, and I believe wholeheartedly, and very optimistically, that we can. We just have to get about the business of doing it.

Thank you, Mr. Chairman.

Senator BOSCHWITZ. Thank you, Senator, for that valuable oversight of the issue, and some of the many things that you have already done.

I know that you have been out ahead of this issue more than any other Senator, myself included, and so I value your input, and I am pleased that you are here today.

Senator Pressler, I believe that you also have a statement that you wish to make?

STATEMENT OF HON. LARRY PRESSLER, A U.S. SENATOR FROM SOUTH DAKOTA

Senator PRESSLER. Yes, Mr. Chairman, I shall make my statement part of the record, to save time.[1]

I want to commend you for holding these hearings, and I would also like to, at the appropriate point, be added as a cosponsor of Senator Dixon's resolution. I commend Senator Jepsen for what he has said. I think he has covered the issues very well.

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[1] See p. 31 for the prepared statement of Senator Pressler.

Rather than read my statement, I will make a few brief remarks on my recommendations, and I want to listen to the other witnesses, as long as I can.

First of all, we are in a dilemma with Canadian hog imports, because overall we export more agricultural products to Canada than we import from them. That is the dilemma we find ourselves in.

Just yesterday I met with a group of farm organizations on this trade matter. In many respects, the grain people are free traders, and the livestock people are protectionists, and so within agriculture, we have a split, you might say. I think it is time that we have a domestic summit conference on trade issues, because you have the steel people who are seeking agricultural support, for trade restrictions. But agriculture, in general, does not see fit to support the steel people.

You have the issue of the domestic content bill. There again, the autoworkers want agriculture's support.

The point I am making, is that each of our commodities in international trade is picked off individually by a united foreign front. We have got to take a more united approach to our trade problems. I think that this hearing is a good first step. But the Canadian pork issue involves a complex problem because we are exporting more agricultural products to Canada than we are importing from them. Do we indeed want to start a little trade war, or can we work it out another way?

I know that all three of you have worked hard on this. I too have met with the Canadians. In my statement, I recount some of those meetings, and some of the difficulties.

I know that Senator Jepsen and others have provided a lot of leadership, in dealing with the Food and Drug Administration, on the use of the antibiotic called chloramphenicol in Canada. As a result of Canadian hogs being treated with that drug, American consumers may be exposed to this drug from Canadian hogs, even though the drug is banned in the United States. That is an issue that we need to address.

The four steps that I would recommend to this committee are first, the United States should insist that a limitation be placed on Canadian hog imports while negotiations are in progress. This would give our domestic producers some relief while an agreement is worked out.

Second, any Canadian hogs imported should be carefully tested, to insure that no drugs banned in the United States are present in the meat.

Third, the number of hogs being shipped through one point of entry to the United States should be limited so that a specific local market would not be so adversely affected.

Fourth, if an agreement cannot be reached through negotiations, then the United States should take action to limit the number of hogs that can be imported, or assess a duty equal to the subsidies that the Canadian producers receive.

I know that we will hear today that the Canadian producers in many instances are producing hogs that are basically subsidized. The Canadians come back and argue that some of the products we send to Canada are subsidized in some form. So it is a very complex issue.

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I commend the committee for this hearing, and I submit my statement for the record.

Senator BOSCHWITZ. Your testimony will be included in the record, in addition to your statement that you have just completed.

Our first witness is the Honorable Daniel Amstutz, Under Secretary for International Affairs and Commodity Programs, Department of Agriculture.

We welcome you here, Mr. Secretary, and we particularly welcome you because you have been in the midst of this, as has been earlier mentioned, therefore we look forward to your testimony.

STATEMENT OF HON. DANIEL G. AMSTUTZ, UNDER SECRETARY FOR INTERNATIONAL AFFAIRS AND COMMODITY PROGRAMS, U.S. DEPARTMENT OF AGRICULTURE

Mr. AMSTUTZ. Thank you, Mr. Chairman. It is a privilege to appear before this subcommittee.

The opening statements by all of the Senators present here today were so impressive that I am toying with the idea of just asking for my statement to become part of the record, and get right into the questions, but with your forbearance, this is such an important subject I think it would perhaps be helpful for me to go through my formal statement, as well as address questions.

Senator BOSCHWITZ. I think it would be helpful, as well.

Mr. AMSTUTZ. U.S. imports of Canadian pork products and live hogs have increased significantly over the past 5 years, causing concern among pork producers, and others in the industry, and those of us in Government.

I would like to briefly review the course of this trade, look at the primary factors involved, and then suggest options that are open in cases where unfair trade practices are suspected.

Canada is essentially the sole supplier of imported live hogs to the United States and is by far the largest supplier of fresh/chilled pork. Denmark closely equals Canada in exports of frozen pork and is one of the largest exporters of canned hams to the United States. While movement of live hogs from the United States to Canada has been impeded for health purposes by Canadian quarantine requirements since about 1977, the United States and Canada have enjoyed a long history of relatively free trade in pork that continues today.

The balance in this two-way trade historically has shifted back and forth, reflecting for the most part the economics of hog production and the monetary exchange rate in the two countries.

This balance has shifted six times since 1960, last favoring the United States from the mid- to late 1970's. It has been in Canada's favor since 1979, and at least in the near and medium term, it is expected to remain so.

U.S. imports of live hogs from Canada averaged roughly 100,000 animals each year between 1970 and 1974. They dipped sharply in 1975, but this marked the beginning of an irregular, but generally upward trend. Since 1981 they have have increased yearly from 146,000 head to what we estimate will be in the range of 1 to 1.5 million head in 1984. January–June imports totaled 603,682 head, compared to 243,418 head a year earlier.

Canadian hog slaughter increased significantly during the 1970's following a cyclical pattern similar to that of the United States. However, since 1980, slaughter in the United States has eased off, while Canadian slaughter has remained high.

U.S. imports of pork from Canada have historically been in the form of frozen products. Frozen pork imports from Canada averaged about 25,000 tons in the early 1970's, dropping to only 9,000 tons in 1976. From that low base, U.S. imports of frozen pork have increased again, reaching about 27,000 tons in 1983, and running 15 percent above a year ago, in the first 6 months of 1984.

The significant change in U.S. pork trade with Canada, however, has been the dramatic increase in imports of fresh/chilled pork, primarily into the U.S. Northeast. From an average of about 2,500 tons per year between 1970 and 1977, they increased to 93,000 tons last year. For the first 6 months of 1984 they were up 34 percent over the same period last year. Because of labor difficulties, including the strike against Canadian packers, which began July 30, pork imports are expected to decline, whereas live hog imports are expected to escalate.

Total pork product imports—fresh, chilled, and frozen—from Canada this year are estimated to reach 150,000 tons, up 25 percent from 1983.

We feel that four major factors have contributed to the sudden and prolonged shift in the pork trade balance to Canada's favor.

One is the monetary exchange rate. The depreciation of Canadian currency against the dollar has had a double-edged effect, inhibiting exports from the United States and encouraging imports of Canadian products such as pork.

When the value of the Canadian dollar dropped sharply to below 90 percent of the value of the U.S. dollar in 1978, the buying power of Canadian importers was seriously eroded. Their imports of U.S. pork declined 56 percent that year, and the import trend has been downward ever since.

As the Canadian currency continued to decline, the combination of large supplies and the price advantage afforded U.S. importers by the cheaper Canadian currency helped spur the Canadian exports.

The effects of the exchange rate differential are not limited to trade in hogs and pork, of course. Canada's weak dollar has encouraged U.S. imports of other Canadian agricultural products and rendered U.S. products less competitive in Canada.

As one result, U.S. agricultural exports to Canada last year were changed little—up by around $25 million—while Canadian exports to the United States rose by more than $100 million. Our total trade surplus with Canada for agricultural products, while using exports to remain on the positive side for us, and was $325 million in 1983.

Another factor that is not quite so well known is the difference in packing plant wages between the United States and Canada. Plant wages in the United States are substantially lower than those in Canada, permitting U.S. packers to bid Canadian hogs away from Canadian packers, and still make a profit. Also, lower slaughter hog availability in the United States has been encouraging U.S. packer purchases in Canada.

As an additional factor in the shift in hog and pork trade, hog producers in Canada are covered by both Federal and provincial stabilization programs.

At the Federal level, the Canadian Agricultural Stabilization Act of 1958 provides price support for a number of commodities, including hogs. The mandatory support level for hogs is 90 percent of the previous 5-year average market price, indexed for changes in cash costs of production. It was recently announced that for the Canadian fiscal year ended March 31, 1984, the support level will be at the 95-percent level, excluding the percentage of hogs exported, namely, some 20.2 percent, and excluding provincial program payments.

Each of the Canadian provinces except Newfoundland also has a price stabilization program for hog producers, most of them dating to the 1970's. The programs differ in methods and scope, but they share several basic features.

The programs are voluntary, and costs are shared by producers and the provincial governments. Coverage is restricted to a certain number of hogs per producer, and each program supports hog prices by deficiency payments, which are based on the difference between market returns and the cost of production.

The definition of cost of production varies between provinces, which makes generalization about the effects of the programs imprecise. For example, the plan in Quebec, where hog output doubled in less than 5 years, guarantees farmers their costs of production plus 70 percent of a skilled worker's wage.

Total support payments of both the Federal and provincial governments to Canadian hog producers from 1974 through 1982 are estimated at about 226 million Canadian dollars, of which about 117 million Canadian came from the provinces.

The Canadian Cabinet has approved in principle a new stabilization program for producers of beef, pork, and lamb. With the call for elections this September in Canada, that proposal will not be acted upon; however, reintroduction under the new Cabinet is possible. If approved, the program would provide for the Federal Government, producers and the provinces to contribute equally, to a stabilization fund under a single, national, red meat plan.

However, and this is significant, Mr. Chairman, to avoid difficulties with trading partners, particularly the United States, payments will be restricted to the participating producer's share of domestic consumption. That means, if Canada exports 10 percent of its hog production, payments under the plan will be made on 90 percent of the production of participating producers. The recent decision on deficiency payments for the past year reflects provisions in the proposed permanent stabilization program.

Yesterday in Ottawa, I saw the press release that announced this. It was dated July 18, and this exclusion of stabilization payments on hogs exported is therefore quite recent, and, Senator Jepsen, I think, unequivocally I can say to you that they have listened as you have made your case to them, and we think this is a positive step in this area.

Senator BOSCHWITZ. Are you saying, Mr. Secretary, that the failure to make these stabilization payments on the exported pork or pork products will act as a disincentive for them to export?

Mr. AMSTUTZ. Well, there is never as much as we would like, Mr. Chairman. I am saying that it is a sign of their sensitivity to this issue, and so in a sense, it is a disincentive, in a sense it is focusing their incentives specifically for domestic utilization.

Now, one could opine, that by averaging things out, there is still a support payment paid to producers, albeit on a lower percentage. Clearly, it is economically measurable what they are doing. But I think also it shows recognition of their sensitivity to this problem, and in the context of our overall relationship with them, I think that signals like that are important.

Senator BOSCHWITZ. Perhaps I should not interrupt your testimony, but are you going to address the legalities of shipping in international trade, a product at a price lower than the market price in this country originally——

Mr. AMSTUTZ. We did, indeed, discuss that with them, and of course, we said to them what you just stated: It is our definition of a subsidy.

Senator BOSCHWITZ. Sure.

Mr. AMSTUTZ. And we have reminded them that we do battle together with them, and with Australia, when we have discussions about trading practices with our friends in Brussels and the European Community.

And one particular technical door this process opens is indeed the one you have just mentioned.

Senator BOSCHWITZ. Quite clearly that would seem to be a violation of some of the outstanding trade agreements between the major industrial nations.

Pardon me, Mr. Secretary. I hope you address that more completely in your testimony.

Mr. AMSTUTZ. While the price and farm program factors were encouraging production expansion in Canada, the hog industry in the United States was cutting back in response to lagging U.S. market prices.

This provided an outlet for continuing increases in production and Canadian producers responded as you would expect. The growth in Canadian production, however, is expected to slow because of a significant decline in pork export prospects to Japan and unsettled labor contract problems in Canada's packing industry. But given the prospect for lower inventories in the United States in the last half of 1984, strengthening U.S. prices and a weak Canadian dollar, demand for particularly Canadian pork and live hogs is expected to continue.

The impact of the increased imports of live hogs and pork from Canada on U.S. producers is difficult to ascertain. Despite substantial growth, the proportion of these imports to the total U.S. market has remained relatively modest.

Since 1981, imports of live hogs from Canada have averaged five-tenths of 1 percent of total U.S. hog slaughter, and pork imports have represented 1.8 percent of U.S. hog production. If our forecasts are correct, the ratios this year for hog imports will be something over 1 percent of U.S. slaughter, and pork imports will be 2.2 percent of pork production.

Current analysis suggests that the price impact of Canadian imports on U.S. swine producers last year could have been 3 to 5 percent.

Concerning localized effect, current data suggest that the price impact of increased Canadian live hog imports appears to be spread fairly evenly among producers within the North Central region. In Iowa for example, hog prices are continuing to follow the trend of national price. In Michigan, where approximately 50 percent of the hogs have entered the United States through June, prices have been at a discount in recent months, some of which may be attributed to these imports. However, it must also be pointed out that the June-December 1983 pig crop in Michigan was up 79 percent compared to the national increase of 6 percent.

Trade in live hogs and pork products is an important segment of a large and profitable two-way trade in agricultural products between the United States and Canada—a trade in which U.S. agriculture consistently sells more to the Canadians than the United States buys from Canada.

Despite Canadian currency advantages, our agricultural trade surplus with Canada last year was over $325 million, based on exports valued at more than $1.8 billion and imports from Canada valued at just over $1.5 billion.

U.S. exports to Canada represent a wide range of commodities led by horticultural products. Canada is also an important market for corn and corn products, soybeans and soybean meal, seeds, livestock and livestock products.

Canada is our third largest export market in a trade that has been built perhaps more than with any other trading partner on the principle of comparative advantage.

There is a long history of trade between the United States and Canada, reaching back well over two centuries. Trade flows between us, particularly in horticultural and livestock products, have shifted back and forth through the years in response to monetary and price movements, transportation costs and other factors while total trade has grown to the benefit of the agricultural economies in both countries.

In the course of this trade, producers of a variety of products on both sides of the border have had cause to complain at shifts that have occurred.

We recognize the concerns of U.S. pork producers over the current trend. Also, we think that it is in the long-term best interest of U.S. agriculture as a whole to work within the framework of international agreements and trading rules. To do otherwise is to invite retaliation against U.S. agricultural exports to Canada.

The National Pork Producers Council is considering the possibility of countervailing duty or other action on live hog and pork products. At the request of the Senate Finance Committee, the International Trade Commission already is conducting a factfinding study of the import situation.

This investigation is being pursued under authority of section 332 of the Tariff Act of 1930. The study is scheduled for completion in November. ITC officials have been making contact with industry representatives which will include a hearing in Cedar Rapids, IA,

on September 21, 1984. Officials from the ITC also will be traveling to Canada this month.

If producers continue to feel they have a case against Canada's hog production programs and practices, remedies are available within the framework of international trade rules.

Under section 201 of the Trade Act of 1974, an industry may petition the ITC for an investigation to determine whether a commodity is being imported into the United States in such increased quantities as to be a substantial cause of serious industry, or to threaten serious injury to the domestic industry.

Help also is available through countervailing duties. If U.S. producers of hogs and pork believe that they are being injured by subsidized imports they can petition the Department of Commerce for a countervailing duty to offset the subsidy.

We are, of course, prepared to advise and assist the pork producers and their industry in any way that we can as they seek solutions to the problem at hand.

That concludes my statement, Mr. Chairman.

Let me just, if I may, add several more points relative to our meetings yesterday.

We discussed with senior officials of the Canadian Ministry of Agriculture, and the Ministry of External Affairs, and also with senior people of the so-called Grain Group, the group that advises the minister in charge of the Wheat Board, we discussed three general subject areas, all of which are important. The hog-pork issue, the horticultural product issue, and the Crows-nest Pass-rail issue. Each of these is important, each of them revolve around trade practices.

And, as we said to the Canadian officials, in each of those areas there are perceptions that practices in Canada provide an unfair advantage to Canadian producers.

Senator BOSCHWITZ. Would you just, for my edification, explain the Crows-nest Pass.

Mr. AMSTUTZ. Crows-nest Pass. I have difficulty saying that. The Crows-nest Pass Act in Canada is an old agreement that subsidized the amount of rail freight Canadian producers paid to get their grain from the heartland to deep water ports.

Quite recently, the Government of Canada recognized that this level of subsidization was so great that the railroad network was suffering badly from it, and so they have raised the rates, the subsidization continues, but it is to a lesser extent.

They did two things when they altered the Crows-nest Pass rates, they made the United States an eligible export destination for goods shipped on the Crows-nest Pass rates——

Senator JEPSEN. Eligible?

Mr. AMSTUTZ. Eligible, and heretofore it had not been eligible, and they made products, such as rapeseed meal, eligible for carriage under these rates, whereas initially it was for the basic commodities, and of course, principally wheat. Even though the level of subsidization is less severe than it had been previously, the fact that the United States, by statute now, is considered an eligible export destination under the subsidized rail rate system, it opens up new avenues of concern on the part of American producers, and of course, the inclusion of a product does similarly.

That is not a very succinct explanation of the Crows-nest Pass rail rate.

Senator BOSCHWITZ. When you describe it, then I am familiar with it.

We have a little crows nest up in Minnesota, where the Canadian National comes through. I have often thought of maybe squeezing that——

Mr. AMSTUTZ. Well, obviously, this is named after a Crows-nest Pass somewhere, maybe that is the one.

Senator BOSCHWITZ. They have to come in through the United States for a short period, the Canadian National.

Mr. AMSTUTZ. I was not aware of that.

Senator BOSCHWITZ. You could look at the contents of——

Mr. AMSTUTZ. In the pork area, and in the hog area, we have especially focused on three subject areas, this chloramphenicol—Senator Pressler, it took me a week to say chloramphenicol, and I still have difficulty with it.

The quarantine issue, and the stabilization, the support program. Let me say this, we had good, serious, meaningful discussions with the Canadian officials on all these subject matters. There is unanimity of belief among scientists that chloramphenicol does create a health problem.

Quite recently, based on information the Government of Canada has actually used, and that was supplied by the Government of the United States, a recommendation has gone forth to the Ministry of Health in Canada on this subject of chloramphenicol.

Mr. Chairman, I do not know exactly what that recommendation is, and it would be, I guess, unseemly for me to speculate on it right now. But I think it is important to say that there is recognition of the seriousness of the matter, and I am hopeful that——

Senator BOSCHWITZ. It is my understanding, on that matter, that no traces have been found at slaughter.

Mr. AMSTUTZ. None.

Senator BOSCHWITZ. None whatsoever?

Mr. AMSTUTZ. None. And that investigation continues.

Senator BOSCHWITZ. Right. So that that is not, at least, from my standpoint, one of the issues that we have to particularly cope with.

Mr. AMSTUTZ. But it is of concern, obviously, in many quarters, and as I say, it is one area where the scientists agree as to the danger, to include animals.

Senator BOSCHWITZ. But they apparently also agree that there is no trace at the time of slaughter.

Mr. AMSTUTZ. That is correct.

Senator BOSCHWITZ. Senator Jepsen?

Senator JEPSEN. I think it is important to point out that we have had, unnecessarily, potentially great economic harm served on the industry, when we have unwarranted statements made about the hazards, and so on, where they are exaggerated to the point that it becomes a scare factor.

Mr. AMSTUTZ. Yes.

Senator JEPSEN. And because of some statements that have been made recently in my State, I have inquired, and have been advised, the same as Senator Boschwitz has, that there has been in fact, no

traces found, ever, and I think that that point needs to be made, in all fairness to the pork industry.

Mr. AMSTUTZ. I think it is a good point.

In the quarantine area, and just to try to, in a sentence or two, describe the problem, hogs coming into the United States for slaughter come in quite freely.

Senator BOSCHWITZ. Pardon me, Mr. Secretary.

Senator Dixon informs me that his time is running out, and I wonder, before you continue, Senator, I know that you have a constituent here that you wish to introduce. You may want to say a few words about him at this point.

If you have particular questions that you want to direct to Secretary Amstutz, why do you not just go ahead?

Senator DIXON. Well, I appreciate you permitting me to do that, Mr. Chairman.

Let me first say to Secretary Amstutz that I know I express the appreciation of all the members of this subcommittee for your appearance and your testimony, you have been before us a number of times, and you have been very forthcoming on each occasion. I know we all appreciate that.

The questions I had intended to ask, I am sure——

Senator BOSCHWITZ. He is from Minnesota.

Senator DIXON. Yes, of course. He takes after the chairman.

Senator BOSCHWITZ. That is correct, or vice versa.

Senator DIXON. I am sure the questions that I have will be developed by others on the subcommittee. Mr. Secretary, I wanted you to know that we have introduced a resolution today, Senator Pressler is also a cosponsor, there are about 16 or 17 Senators, including my colleagues here, who are cosponsors of this resolution, which essentially encourages you to go forward as you have in the past. It calls upon the U.S. Trade Representative, the Secretary of Commerce, the Secretary of Agriculture, and others, to continue their talks with the Canadians.

I sense a feeling among all of us, given the fact that there is an imbalance in our favor, to want to pursue this at the talk level. I think that to pursue legislative goals at this time is not the appropriate response, until we have exhausted all other possibilities. I want to apologize to you for being unable to remain longer with you today. I have several other appointments, it is about our last day before the break, as you know.

But, Mr. Chairman, if you will permit me to interrupt Secretary Amstutz' testimony to say this. I have a friend from my neighboring county of Monroe here, Mr. Glenn Woodcock, who presently serves as secretary of the Illinois Pork Producers Association and is on their executive board. He is a member of the Monroe County Pork Prodcers. My daughter and son-in-law and three grandsons live in Monroe County, Mr. Chairman.

He has held the office of president, vice president, and secretary-treasurer of his group, he received the Illinois Pork All American Award in 1974, he produces over 4,500 market hogs per year, and farms 800 acres of corn, soybeans, and wheat, and he resides near Valmeyer, IL, in Monroe County. My daughter and my three grandsons live halfway between Waterloo and Valmeyer, in Monroe County, IL, Mr. Chairman.

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Senator BOSCHWITZ. I know just where it is.

Senator DIXON. I know you do, sir.

So at the time when Glenn A. Woodcock comes up here, I know you will treat him very courteously, with the understanding that those of us in southern Illinois think well of him

Senator BOSCHWITZ. Thank you, Senator, and we will treat him with the courtesy due all folks from Illinois, particularly pork producers.

Senator DIXON. Thank you, kind sir.

And, Mr. Secretary, I do express to you once again my profound appreciation for your cooperation with us.

Mr. AMSTUTZ. Mr. Chairman, may I just say that I think that that resolution will be very helpful?

Senator DIXON. Thank you.

Mr. AMSTUTZ. I have seen the language of it, and I think it will be very helpful.

Senator BOSCHWITZ. Would you perhaps, just to spur us on, tell us the number of cosigners of this resolution? Maybe we can work it up to a larger number.

Senator DIXON. I think we have about 17 now—16, I am advised by my associate.

Senator BOSCHWITZ. I agree with the distinguished Senator from Illinois, that legislation at this point would be premature. But you feel Mr. Secretary, that a resolution without a binding impact expressing the sense of the Senate—and indeed, that sense may lead to some legislation—would be helpful in your involvement?

Mr. AMSTUTZ. I indeed think so. It has been my experience, it seems to me, I have a feeling of deja vu right now, because I think I said the same thing once before, as it related to our relationship with the ITC.

Senator DIXON. On corn gluten feed, I believe.

Mr. AMSTUTZ. And when those of us in the administration can have the power of many in the Senate behind us, which we do with a resolution such as that, it is indeed helpful.

Senator DIXON. You are very kind, and I will spread that word in the Senate, and I am sure it will help us attract additional sponsors.

Senator BOSCHWITZ. Let us all hit the floor with a resolution in hand on the next vote.

Senator DIXON. I am apologetic, but I have to leave.

Senator BOSCHWITZ. Why do you not go ahead?

Mr. AMSTUTZ. On the quarantine issue, hogs for slaughter from Canada flow into this country literally quite freely. Hogs for slaughter in Canada, U.S. hogs, are quarantined for a period of 30 days at the border, and that obviously is a vast difference, and promotes the flow from North to South, but impedes it South to North.

Senator BOSCHWITZ. That not only impedes it, it must make it impossible.

Mr. AMSTUTZ. Nigh onto impossible.

Senator JEPSEN. Grading stock, and this type of thing, where they have built in these 30 days. I did inquire, and was advised that you can, with assured safety, seal the trucks and deliver them safely to the slaughterhouse, and that pseudorabies is not transmit-

ted. There is no danger of it being transmitted on that basis, and I have been advised, by proper medical authorities, that it is so, and I confronted it and presented that to them. They have indicated, as I said in my remarks, which are rather guarded, as you noticed, in that area, that they are willing to continue to talk about it, but I would be less than candid if I would say that they sound very enthused about it, and that they then go into a long dissertation of how difficult it is to police that type of thing.

Mr. AMSTUTZ. Yes. You are right, Senator Jepsen, the issue is pseudorabies. The quarantine was originally imposed because of hog cholera, which is not a problem now. But pseudorabies—and, incidentally, I am not a scientist, as everyone in this room, I am sure, knows, but it is an airborne virus, and therein lies the problem.

Senator Jepsen, I cannot really be any more explicit on this than I was on the chloramphenicol, but I can tell you this, at very senior levels, we are going forward with meetings with them on this issue, and I see reasons to be optimistic that in due course, and hopefully due course will not be too long a time, when we will find that this discrepancy in access is vastly improved.

Senator JEPSEN. The pork producers continually say, as I hear many say in this country, that they want free trade, but they want fair trade.

Mr. AMSTUTZ. Exactly.

Senator JEPSEN. And in this particular instance that has some problem with it.

I think having said and done all of these things, we also would be less than candid if we did not sit down and say until the value of the dollar exchange, changes dramatically, and unless we have some kind—and I am being a little bit facetious, I hope it is not reported out of context, but when I say unless we have some way of saying to our packinghouse operators and managers and owners, that they are not allowed to go into Canada and buy pork, when they can go in and buy pork for $10 a critter less delivered, with the value of the dollar and the exchange as it is, we can lay on all kinds of things and we are not going to resolve that.

Mr. AMSTUTZ. That is right, Senator, there is no question about the enormous importance of this exchange rate question.

Senator JEPSEN. But where we discuss, where they continue to emphasize, and take a look at the total and the big picture, we have a free open border for whole soybeans. We can go on and on. I can list a whole bunch of products that come from Iowa, $150 million of wheel tractors, just for starters, which translates into many thousands of jobs in Iowa.

And there must be some way to talk this through, and to resolve this, and exchange things, because geographically we have a long border, and there are packinghouses located in some parts of the country closer to the Canadian border from our side of the aisle, and as it is, I believe it was in the Detroit area, somewhere in that area, there are packinghouses located closer to Canada, that are located in the United States, and that has something to do with it.

If I may, Mr. Chairman, I would just like—I must go on record, Mr. Secretary, as disagreeing with you on the one area where

you—in your statement, where you said that concerning localized effect, current data suggests there has been little localized impact.

For example, in Iowa, where hog prices are continuing to follow the trend of the national price, I know of several places in Iowa, and I will be specific with one, there is a Wilson's Cherokee, IA, plant, and when they bought Canadian hogs, they were out of market for local hogs 1 out of 5 days. I would suggest that is an impact, and we have others in the Storm Lake area, and others that are experiencing quite an influx.

Senator BOSCHWITZ. Before we continue, it will be necessary to vote, perhaps we should all go.

I really welcome Senator Pressler, and welcome his questions, as well. It did not occur to me that he was not a member of the committee. We both sit on other committees together, and so it is natural for me to see him at a committee on which I also appear.

But we have a vote and another meeting that we probably both want to go to, at 4 o'clock, We will want to push along, and perhaps recess for a very few minutes, and go down and vote when the five bells appear.

Senator Pressler, do you have any questions? And I welcome Secretary Holmer to the table.

Do you have any questions of Secretary Amstutz?

Senator PRESSLER. I have none, thank you.

Senator BOSCHWITZ. Let me then, ask a couple of questions.

When did this practice of the 30-day holding period begin?

Mr. AMSTUTZ. I am not sure, 1977, sir.

Senator BOSCHWITZ. I could have guessed as much, because it is at that time the United States began importing more hogs from Canada than we were exporting to her. Of course, I agree with my colleague that this was probably is the result of the high value of the U.S. dollar, as much as anything else.

In my judgment, it is quite outrageous that you are supposed to sit with these hogs for 30 days. That effectively is an import barrier that does not create the level of playing field that Senator Jepsen spoke about.

However, having said that, I would caution you, Mr. Secretary, that resolving that should not be seen, in my judgment, as much of an accomplishment. The resolution of that issue will not change much of the existing situation, but will only restore some fairness to it that should exist in any event.

More important, is the subsidy, and the idea that if they are selling in their own marketplace at one price and exporting at another price, that is a clear-cut violation of our understanding in the international marketplace. Perhaps in due course, Secretary Holmer can respond to that as well.

Mr. AMSTUTZ. Understood, Mr. Chairman, and we got into this a little bit with the change in their stabilization program.

They could opine, incidentally, and I do not mean to play with words here, that the change in the stabilization program creates a higher export price than domestic price, and so in a sense a reverse subsidy by providing stabilization payments only for hogs sold in Canada.

Their marketing system is on hogs, as you know, Mr. Chairman, Canada is a country that employs marketing boards, and the mar-

keting system in Canada is simply for these marketing boards to sell hogs to the highest bidder, whomever they are. And at the rate these days, I think, of nearly some 30 percent, those highest bidders are U.S. packers.

For all these reasons that we have talked about not only the U.S. dollar vis-a-vis the Canadian dollar, which equates roughly to a 75-cent Canadian dollar these days, but also the strike, the strike situation in the Canadian packing industry.

Senator BOSCHWITZ. I wonder if you would expand on that? In our country we have a situation where wage rates are going down. Is the strike situation in Canada a reflection of that? I am familiar with the fact that they are having contract problems, but not familiar with the details. Are the contract problems similar to what they are on this side?

Mr. AMSTUTZ. Oh, yes.

Senator BOSCHWITZ.They want to drive down the labor rate?

Mr. AMSTUTZ. Yes, that is what the packers, I think, are really saying to the workers, that for us to continue in business, they are saying you have to accept a lower wage rate.

Senator JEPSEN. There has been a rash of closings. It is not a question of something that is just arbitrarily ballooned out of proportion. It is a fact, and the fact that packing plants are closing, which further aggravates the——

Mr. AMSTUTZ. The current situation.

Senator JEPSEN. The current situation.

Senator BOSCHWITZ. My question was, in the event that labor rates in Canada were to go higher, rather than lower, and that is the part that I was not familiar with, that would exacerbate——

Mr. AMSTUTZ. Oh, indeed it would exacerbate the situation.

Senator BOSCHWITZ. But they are going lower.

Mr. AMSTUTZ. That is the issue. The issue is that the packers want them to go lower, and the unions say no.

Senator BOSCHWITZ. What does that look like? How is that going to be resolved?

Mr. AMSTUTZ. Well, we asked the Canadians that question, as you would imagine, and none of those with whom we talked with was prepared to give us a hard forecast. I can understand that. It is a tough, tough issue, as it has been in this country.

Now, logic says it has to be resolved, and logic says that some of the realities of current economic conditions will feed themselves into the resolution. Logic says the kind of possible result that you just mentioned, namely a higher wage rate in Canada, is highly unlikely, and so logic says some, at least some of this competitive imbalance in this area will be removed. When, I do not know.

But I agree also with my colleague from Iowa, where you say the impacts of increased exports of live hogs is difficult to ascertain, and you talk about the ratios, 2.2 percent of pork production.

My experience in commodities is lumber, when you had a swing of 2 or 3 or 4 percent in production, you had a 15- or 20-percent swing in prices. Commodities are very, very sensitive, and when my colleague talks about one day out of 5, that certainly would have an impact on the local market. The point of their subsidizing their own, and increasing production, and bringing on production so that

it could be averaged out, farmers are famous for averaging things out, whether it be cost of land, or anything else.

That there is no question that they are encouraging additional production and also they are encouraging, in effect, additional exports, putting pressures on our marketplace. If that is a subsidy, and if that is a product being sold in this marketplace at a price lower than it is being sold in their own marketplace, I think that we have a strong case to make.

[Short recess.]

Senator BOSCHWITZ. We are now going to turn to Alan Holmer, the Deputy Assistant Secretary for Import Administration, Department of Commerce. He has short testimony that I would appreciate if he would read in its entirety, and then make such comments as are necessary, and if you, Mr. Secretary, have need to leave, then you should.

Do you have any further statement?

Mr. AMSTUTZ. No, sir, Mr. Chairman. Thank you.

Senator BOSCHWITZ. Mr. Secretary Holmer.

STATEMENT OF ALAN F. HOLMER, DEPUTY ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION, INTERNATIONAL TRADE ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. HOLMER. Thank you.[1]

My responsibility at the Department of Commerce is to administer the antidumping and countervailing duty laws—vigorously and fairly. These laws are designed to protect U.S. industries from imports that are unfairly traded, through subsidies or sale in the United States at less than their fair value, that is dumping, and that cause or threaten material injury to a U.S. industry.

There are essentially two kinds of subsidies. Export and domestic subsidies. Export subsidies are those that are contingent upon export performance, or inteded to stimulate exports over domestic sales.

For example, if a government says to a hog producer we will pay you $10 for every hog that you export to the United States, that is an export subsidy.

Domestic subsidies are not contingent on export performance. They are government programs, such as loans that are provided at preferential rates, or government equity infusions on terms inconsistent with commercial considerations. Those kinds of programs that are provided to a specific enterprise or industry, or a group of enterprises or industries.

A U.S. industry suffering from import competition only needs to file a petition alleging subsidies or dumping. The burden is then on the Commerce Department and the International Trade Commission to investigate the charges.

Essentially the timetable is what we refer to as being day zero of the investigation, that is when the petition is filed, we then have on day 20 a decision by Commerce as to whether or not we will initiate an investigation.

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[1] See p. 37 for the prepared statement of Mr. Holmer.

By day 45 the ITC makes a preliminary determination, and by day 85, the Commerce Department decides whether or not we believe that there are subsidies provided on the products that are being exported to the United States.

Senator BOSCHWITZ. Have you begun that process?

Mr. HOLMER. We have not, in this case. This is just a normal timetable that we would proceed on, but it is at day 85 that you can have a measurable trade impact, because it is at that point that there is what is called suspension of liquidation, and at that point, if there are subsidies that have been found, the importer must post a bond which would cover the amount of the subsidies that have been found by Commerce.

Since 1980, we have initiated over 400 antidumping and countervailing duty investigations, a dramatic increase over prior years.

The principal reasons why the AD/CVD law is so popular is that this statute, and the regulations under it, are extremely specific and detailed; they require that we decide cases strictly on their merits, without regard to foreign relations or domestic political considerations.

We understand that the National Pork Producers Council, representing the U.S. industry, intends to file a countervailing duty petition with the Department of Commerce. If the U.S. pork producers have evidence that the Canadian Government is subsidizing Canadian hog exports, and that our industry is suffering material injury as a result of the Canadian imports, I urge the industry to file a countervailing duty petition. If there are subsidies being given to pork producers, we will find them. We are always ready to explain to petitioners what information is needed to file a petition, where they might locate such information, and how to prepare the petition itself.

My door at the Commerce Department is always open, my phone to those industry representatives who are here, is 377-1780. If there is any way that we can help you with respect to the concerns that you have with respect to subsidization, we would be happy to do so.

We are also particularly sensitive to the special concerns of the agricultural sector, realizing that the timeliness of our decisions is imperative to the continued economic viability of our farmers and ranchers.

Thank you, Mr. Chairman.

Senator BOSCHWITZ. Well, I thank you; 377-1780, you said?

Mr. HOLMER. That is exactly right.

Senator BOSCHWITZ. And I thank you for that very direct and informative program, and when there is a subsidy, or when there is a situation, as you have presented this afternoon, do you want to venture any opinion on whether or not subsidization indeed exists in this instance?

Mr. HOLMER. Well, it is very difficult to do so, frankly, because what Congress in the 1979 Trade Agreements Act has directed Commerce to do, is really to undertake a relatively quasi-judicial function, and it is difficult for us to make an assessment until we have had a chance to have the allegations made by the domestic industry, and frankly, to give the Canadians an opportunity to re-

spond to our questionnaires, and for us to be able to consider the arguments on their side.

It is also a bit complicated by the fact that you now apparently have an additional factor, at least according to the testimony of the Agriculture Department representative, that the payments would not be made to—on hogs that are being exported to the United States.

That to me does not preclude the possibility that there could be a finding of subsidies, but it does add a new wrinkle that we would have to look at very carefully to determine whether or not there are subsidies in this kind of instance.

Senator BOSCHWITZ. Well, it would seem to me that one could not avoid obligations under the law by subsidizing, or what is used in the domestic market, and thereby preventing any attack on what is used in the international market.

I would ask you, Mr. Secretary, to be kind enough to stay and listen to Bill Goette, a Minnesotan from Alden, MN, I am not going to describe exactly that it is between Fairmont and Albert Lea, but nevertheless he is from Minnesota; and Mr. Woodcock, who has already been introduced by my friend, Senator Dixon; and Mr. Gingerich, who is the legislative chairman of the Iowa Pork Producers Association.

I would invite you to—you have been patient, and have sat through quite a bit of this hearing already, it would be of value, I know to me, and I am sure to the pork producers, if you would remain for the balance of this time, and we will try to move it ahead.

I see that we once again have a vote on. So I would ask those three gentlemen to come forward, and to immediately begin their testimony.

We are also going to include in the record a statement by Bob Lighthizer, who is the Deputy U.S. Trade Representative.[1]

I think that Senator Jepsen will be back. He knew that we had an upcoming vote, so he just stayed.

If you would proceed in whichever order you find convenient.

Do you have an order in which you wish to proceed?

STATEMENT OF WILLIAM GOETTE, ALDEN, MN, VICE PRESIDENT, NATIONAL PORK PRODUCERS COUNCIL, ACCOMPANIED BY DOYLE TALKINGTON, ADMINISTRATOR, GOVERNMENT AFFAIRS

Mr. GOETTE. Thank you, Rudy.

I am Bill Goette, farmer, pork producer from Alden, MN; and happen to be vice president of the National Pork Producers Council.

Mr. Chairman, the National Pork Producers Council appreciates the opportunity to appear before this subcommittee to discuss the issue of agricultural imports.

To be efficient with your subcommittee's time, I will read only a summary statement, Mr. Chairman. I request that our entire written testimony be submitted for the record.[2]

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[1] See p. 32 for the prepared statement of Mr. Lighthizer.
[2] See p. 39 for the prepared statement of Mr. Goette.

Senator BOSCHWITZ. It will be included in the record, and I will ask you some questions about it, too.

Mr. GOETTE. The National Pork Producers Council represents over 110,000 pork producers and their families in 38 States. Our organization represents virtually all commercial pork producers in the United States.

Senator BOSCHWITZ. Incidentally, do you have a list of those 38 States, and the number of members? That would help us in getting signatories.

Mr. GOETTE. We can certainly get them for you.

Senator BOSCHWITZ. See that I get that right away.

Mr. GOETTE. Will do.

Mr. Chairman, the dramatic increase in the number of Canadian hogs and pork products imported into the United States is causing a great deal of concern among U.S. producers.

In the first 6 months of this year, live hog imports from Canada were up an incredible 148 percent compared to the same period in 1983. Specifically, in the first half of 1983, some 243,418 hogs entered the United States from Canada. In the same 6 month period of this year, that figure had risen to 603,682 head, and already exceeds by over 150,000 head, the number of live hogs imported from Canada to the United States for the entire 12-month period of 1983—447,391.

Nearly 20 percent of Canada's pork product was imported to the United States as live hogs and pork. At the present rate of increase, Canadian imports of live hogs and pork product to the United States this year will represent 35 to 40 percent of their total pork production in 1984.

The high import increases are not confined to live hogs. There was a 34-percent increase in fresh or chilled pork imports from Canada during the first 6 months of 1984, and a 15-percent increase in frozen pork, a total of 77,599 metric tons of pork products entered the United States from Canada. In all of 1983, Canada exported 120,556 metric tons of pork product to the United States. Seven years ago, the imports of Canadian pork—chilled, fresh, and frozen—totaled only 12,143 metric tons for the entire year.

University of Missouri economist, Glenn Grimes, estimates that the U.S. pork producers have been economically impacted as much as $4.24 per hundredweight in the first half of 1984 by Canadian hog and pork product imports, or as much as $470 million. At the present rate of increase, the economic impact on U.S. producers in all of 1984 may well approach or even surpass $1 billion.

Agriculture Secretary John Block agrees there is a problem. In an interview in Indianapolis last week, the Secretary told reporters, I am convinced that Canadian hog imports are hurting our markets and keeping hog prices down.

In just off my printed notes, I did a little figuring on this, and put some actual numbers on this. If our figures are right, on $4.24 per hundredweight, then my farm on an average basis, it is costing me about $9.76 per hog, and I sell about 156 hogs a month on an average, so it is going to cost me in excess of $18,000, and possibly $20,000, assuming $4.24 per hundredweight is a correct figure, and at this point, based on what I have to deal with, I am assuming that to be a factual figure.

Mr. Chairman, U.S. pork producers have had only 1 good year of profit out of the last 5 years. They have been looking to 1984 as a year of profitability that could be restored. But the increased imports from Canada may be enough to take the fragile dream into only a false hope.

Canadian pork producers, in a 1-year period, ending March 31 of this year, received a $6.54 per head subsidy from their government for every hog they sold. They do not call it a subsidy, but rather a deficiency payment. It accomplishes the same thing, in that it provides monetary government incentives to raise more hogs. U.S. producers have never sought, and do not seek a subsidy of any kind from the U.S. Government.

All U.S. pork producers want is an opportunity to compete on an equal basis with their counterparts in doing business within the United States. They cannot do that when the foreign producer is government subsidized, regardless of the name attached to the practice.

It is now obvious that while U.S. producers were voluntarily cutting back their swine herds during the past year, in an attempt to bring their product more in line with the supply and demand, Canadian producers, with the full encouragement and monetary support of their government, were targeting the U.S. market, to take advantage of the shorter domestic hog supply and a strong U.S. dollar.

Just a little sideline of that. There are various conditions that contributed to the decline in the U.S. pork production, and you can check the last U.S. hog reports, you can certainly see that there has been a significant reduction, and we have encouraged our members to be aware of that situation, and to get numbers in line with the supply and demand, and so I think we, as an organization, and we as producers, have responsibility to ourselves and to our fellow producers to respond to this issue of Canadian imports.

To complicate the matter fully, a strike, less than 2 weeks ago, closed down 12 packing plants in Canada, and there are indications it may be a lengthy labor dispute that will force even more thousands of Canadian hogs into U.S. plants for slaughter.

Mr. Chairman, U.S. pork producers do not seek protection from outside competition. All we want is an opportunity to compete in our own Nation on an equal basis, with their pork producer counterparts from other nations. All U.S. pork producers are asking is for restoration of fair trade in pork commerce between our two nations. All we seek is a fair and equal enforcement of safety and health regulations from the U.S. agencies who are mandated to provide such enforcement. They are not receiving it now, as our written testimony outlines in some detail.

The National Pork Producers Council has taken several steps in recent months, in an attempt to call attention to the Canadian hog and pork import problem, and hopefully to encourage a correction in this frustrating situation in an orderly manner.

Most recently we have been preparing a petition which we plan to file with the U.S. Department of Commerce and the U.S. International Trade Commission, requesting that countervailing duties be imposed on live hogs, and perhaps pork products entering the

United States from Canada. We are considering similar action aimed at the European Economic Community of nations.

It is our understanding that such duties are not subject to retaliation or compensation requirements from other nations, and this would not jeopardize the General Agreements on Tariffs and Trade involvement of the U.S. agricultural commodities.

Mr. Chairman, the U.S. producers fully understand the importance and complex nature of foreign trade. We have no desire to jeopardize trade relations with Canada, one of our Nation's best agricultural trading partners. We just want the situation equalized. We want hogs and pork traded with Canada restored to a two-way street, so that U.S. producers may compete fairly with their Canadian counterparts in the U.S. market.

Thank you for your kind attention, and an opportunity to tell the facts to the subcommittee.

Senator BOSCHWITZ. Bill, I am going to go down and vote. Senator Jepsen is going to continue the hearing in my absence, so that we will not have to take a break.

Senator JEPSEN [presiding]. Thank you, Bill.

You are correct, the International Trade Commission can levy these, and they will not be in violation of GATT, if indeed it has been proven through the regular procedure in the prescribed channels, or the processes, that there has been economic harm done. That is why Senator Grassley and I, very early on, called for and got an immediate ITC Commission hearing started, and we expect to have some early results. We have been assured of this, hopefully, sometime early on in September.

Glenn Woodcock, secretary of the Illinois Pork Producers Association. Welcome.

STATEMENT OF GLENN WOODCOCK, SECRETARY, ILLINOIS PORK PRODUCERS ASSOCIATION, VALMEYER, IL

Mr. WOODCOCK. First of all, I would like to tell you a little bit about whom I have been asked to represent. They are the 10,500 members of the Illinois Pork Producers Association, located throughout the State of Illinois. Our membership is comprised of pork producers, Porkettes, our ladies auxiliary, and associate members largely made up of agribusiness representatives of some of the major agriculture-oriented companies in America.

The IPPA is a grassroots organization with every producer, regardless of size, having a voice in policymaking through a county elected delegate system. With our producers marketing around 10 million head per year, and with the Illinois Pork Producers Association being the largest commodity organization in Illinois, with an identified membership, you can easily see our importance on the national level with our National Pork Producers Council.

As for me, my name is Glenn Woodcock. I have been farming all of my life, but it was not until 1964 did I have a chance to go into farming on my own. Today, my wife, Twyla and my two children, John, 10 and Tanya, 8, farm 800 acres of corn, beans and wheat in Monroe County in southwestern Illinois. We too are pork producers, producing over 4,500 market hogs per year in our farrow to finish operation.

I might add that some of those are sold as feeder pigs. My wife and I have been very active in the pork producers organization, serving in many capacities on the county, State, and national levels, of which most recently being elected as secretary of the Illinois Pork Producers Association Executive Board.

When we look at Canadian imports and what effect it is having on the pork producers of Illinois, we need to look beyond our State's borders. To be honest with you, our few packing plants in Illinois are not having a large number of Canadian hogs enter them. However, we too are conscious that our hogs raised and marketed in Illinois are not totally consumed by only the people of Illinois. We, like all pork producers, rely on the people of the United States to be our market for our good, lean and safe pork products.

As a member of the National Pork Producers Council, we are aware that we need to look at the big picture. One year ago, our pork producers in Illinois voluntarily participated in a national program to help ourselves. That program is known nationwide as the Pork 4 Program. Pork producers throughout Illinois reduced their inventory of breeding stock, and cut back on the market weights of their market hogs. Why was this done? The reason was that we had an abundant supply of pork at the time, and if we wanted to correct the problem, we would have to do it.

But, what has happened since? As of July 31, 1984, live Canadian hogs numbers coming into the United States for the first 6 months of 1984 are up over 148 percent over the same period 1 year ago. With over 603,682 head already marketed in this country, we have today exceeded the Canadian marketings for all of 1983 into the United States. One could make similar comparisons with fresh, chilled, and frozen pork entering America from Canada, but I am sure our friends from the National Pork Producers Council will share those with you.

Pork producers nationwide believe in a market-oriented approach for their commodity. But we want a fair approach to exist in this country. The dramatic increase in the volume of Canadian hogs and pork imported into the United States in recent months has caused a great deal of concern among Illinois pork producers. From a point not too long ago where little was said about this issue, today it has turned into one, if not the, hottest issue amongst our State's producers and agribusinessmen.

As I mentioned earlier, when you look at the big picture, Illinois has a very large stake in this issue. We are concerned about the financial impact, continued growth the Canadian imports will have upon prices received by our Illincis pork producers. Relief from the increased level of Canadian pork imports will only occur if agriculture can convince each of you of the severity of the issue.

I, along with all the pork producers of the State of Illinois, wants to thank you for allowing me this opportunity to comment to your distinguished committee.

Thank you.

Senator JEPSEN. Thank you.

Mr. Gingerich, legislative chairman, Iowa Pork Producers Association, long active in all kinds of civic and industry activities in Iowa, a leader.

Welcome, Don.

Mr. GINGERICH. Thank you, Senator.

Senator JEPSEN. I would advise each of the witnesses that your written reports, of course, will be entered into the record, and if you desire to summarize it, you may do so, and know that every word that you have in your written testimony will be in the record.

You may proceed any way you so desire.

STATEMENT OF DON GINGERICH, LEGISLATIVE CHAIRMAN, IOWA PORK PRODUCERS ASSOCIATION, PARNELL, IA

Mr. GINGERICH. My name is Don Gingerich and we raise over 3,000 hogs annually in Iowa. Our family farm also produces beef cattle, corn, soybeans, wheat, and forage crops.

On behalf of the Iowa Pork Producers Association, I sincerely want to thank you for the opportunity to comment to your subcommittee on the issue of agriculture importers. Over 25 percent of the U.S. pork supply is produced in Iowa, and our association represents over 30,000 members statewide.

The reason for our attendance today is to ask for your support, help, and immediate action specifically on Canadian trade and its effect on the U.S. hog markets and the general long-term issue of imports and exports.

Our members, legislative committee, and board of directors have always stood and fought for free trade between countries. We do not accept protectionism, and sincerely think trade between countries should be open, unrestrained, and unencumbered.

In recent years, however, it has become quite apparent that free trade does not happen by just talking about it and hoping it will happen. Nothing constructive will happen unless free trade is approached as other foreign policies are handled by the U.S. State Department. We must be firm and dedicated to making free trade work. We believe this requires fair trade before free trade has a chance.

After meeting with the Canadian Consulate General, just 3 weeks ago, we do not think the Canadians are dealing in the spirit of fair trade or free trade. Nor do we think they have any intention of doing so until pressure is applied to make them cooperate.

I think some of the information today has helped us, in that they are listening, and at least making some token attempts to help us. But we need to continue this pressure to make our trade fair.

We do not think the Canadians are interested in fair trade when the United States requires only a signed affidavit by an accredited veterinarian from Canada that their breeding and feeding animals entering the United States are free from disease, when Canada reciprocates by requiring blood tests and a 30-day quarantine for our animals entering Canada.

We do not think the Canadians are interested in fair trade when slaughter hogs imported from Canada to the United States are not required to even have a health certificate, which allows them to move freely to packers in our country, when Canada reciprocates by requiring our slaughter hogs to go through a 30-day quarantine and blood tests just to go to their packing houses. It is more difficult to move hogs from Illinois to Iowa, than from Canada to any Midwestern State.

We do not think the Canadians are interested in fair trade when they subsidize production of Canadian pork producers at the expense of U.S. pork producers. We are not subsidized, we have not asked for subsidies, and we do not want subsidies.

We do not think the Canadians are interested in fair trade when they refuse pork imports from countries in the European Economic Community simply because Canadian packers do not want this meat competing with their own product. The result of this Canadian ban on European pork imports is more European pork on our already overburdened market.

We are frustrated with the attitude that we should not disrupt trade with our friends to the north. Our trade between Canada and the United States should be the model of all countries involved, in dealing with our friendly, and also not so friendly countries.

If trade between our two countries cannot be brought to balance with the same restrictions, and the playing field governed by the same rules, what hope is there of ever having free trade with the other countries of this world?

I think our Canadian and United States situation ought to be an example for other countries. The height of our frustration is the administration of the current regulations and requirements involving production practices and pharmaceutical usage. It is common knowledge in rural areas, and has already been addressed in the media, that certain former swine production practices have been ruled unacceptable by USDA. At the same time these regulations are being enforced here, our Canadian neighbors are allowed to import products raised under conditions our own Government is telling us are not acceptable.

It is difficult to convince producers of agriculture commodities that the U.S. Government is concerned and working hard to expand exports and providing the highest quality products when our Government is placing our industry at such a direct disadvantage and more importantly, condoning practices which are not allowed in the United States.

The imports of Canadian hogs into the United States are not taking place because they can compete with U.S. producers on quality and price, but because of the artificial economic condition caused by Canadian subsidies, the exchange rate, and one-way trade restrictions.

Our point here is that we are losing on both ends. We can neither export nor compete with products subsidized and protected by rules and regulations of foreign governments.

For these reasons our association and members here today ask for your help in continuing fair trade in the interest of creating an environment for free trade. We ask no special favors. We ask only for support of the current regulations in effect, and reciprocity of unwarranted rules and regulations imposed by others which are restrictive, noncompetitive and create false economies.

We, as pork producers, are not naive enough to overlook the No. 1 cause of the current trade situation which is the strong value of the U.S. dollar. Extreme changes in exchange rates make foreign trade, of any type, highly unstable. We hope that the United States strives to uphold a stable domestic economic policy and a stable foreign trade policy.

And I would suggest, too, it looks like we are making some gains, and I would only say that we continue to talk, and to continue this pressure.

On behalf of the Iowa Pork Producers Association, I again want to say thank you, Senator, and to the other members of the subcommittee, for working on this problem.

Senator JEPSEN. The chairman has returned. The Chair has been advised that it is not the desire of the representative of the National Pork Producers Council to make any—do you have any testimony?

Mr. TALKINGTON. No, I do not, Mr. Chairman.

Senator JEPSEN. Do you have any further questions, Mr. Chairman?

Senator BOSCHWITZ [presiding]. I did not hear, and I am sorry that I missed the testimony of the gentleman from Monroe County, IL.

Naturally, having heard the testimony from my friend from Minnesota, I felt so well informed.

I am very interested in these—in these charts, and will look at these figures a little bit more carefully, and the disproportion of Canadian imports, or exports to us, and imports from us is really striking when you see 400,000–447,000 hogs coming in and 200 hogs going out, and so these figures will be particularly helpful.

I want to tell you that I have spoken with Senator Dixon, over the course of this last vote, and have asked him to get me the resolution that he has authored, and I told him on the next vote that I would hustle around the floor and get some Senators to sign it, and so it is of particular importance, even if you would just note, or my staff man, the principal States where pork producers could be found, or if you would give me that list of 38 States, and I would be very much helped.

Matter of fact, if you gave me the numbers, and did so by phone, and also provided a copy to Senator Jepsen here, I think that we might be able to progress this process along a little faster.

We will get over 50 Senators, and that will help you.

You, Mr. Goette, skipped over the fact that, in your testimony, you said Canadian pork imports are an extremely emotional issue.

Mr. GOETTE. They sure are.

Senator BOSCHWITZ. I went around to the country fairs, of Minnesota, and as I am sure my friend from Iowa is doing, as well—how many counties do you have down there?

Senator JEPSEN. Ninety-nine.

Senator BOSCHWITZ. Ninety-nine? We only have 87, though our State is a little larger. You probably have pork producers more in those 99 than we do. But it is, indeed, an emotional issue, and what you say is true, there have been a number of bad years, and when you see a good year approaching, and then have it undermined, and again, my experience in trading in commodities, you know, this kind of influx has a big effect on price.

If you have 2, 3, or 4 percent come in, and it may be more, as you say, if the strike persists, that affects the prices disproportionately.

Mr. GOETTE. Fourfold and fivefold.

Senator BOSCHWITZ. Yes, that is the way it is in lumber.

Mr. GOETTE. That is the way it works on hogs, too. One percent either way would have much more significant price relationship. Oh, boy.

Senator BOSCHWITZ. Yes.

Did you gentlemen cover something that had not been touched on before.

Mr. GOETTE. They covered something that I would like to just cover briefly, probably.

We talked about the U.S. pork producer in the hog producing business making significant decreases in their pork production, and in Minnesota, Rudy, I think you can check it, it is a significant example.

I think it could be contributing to a lot of things. Economic pressures, and so forth. But in addition to that, 1 year ago, June 1983, we, the National Pork Producers Council, at a board of directors meeting, considered—we were in a hog crisis at that time, in anticipation of what hog prices were doing, and what the numbers looked like for the fall of 1983, and so forth, so we initiated what the other gentleman referred to as the Pork 4 Program, and in that program—I happened to serve on that task force to develop that program.

The first think you want to do is to find somebody else to blame when you have got a problem, and so we went through that whole scenario, and we found other people to blame, but when we got done, before we put the program together, we said we better take a good look at ourselves, and we did. And so it was a four part program, and the first step in that program was a part for the producer, the U.S. pork producers to play, and in that program we said, we encouraged, we could not direct or demand, but we encouraged, by drawing the proper scenario, for our producers that they make a 10-percent reduction in their herd, that they sell their hogs 10 percent lighter to get supply and more demand, and I am one producer who did reduce my sow herd by 20 percent.

We are still staying in that area. In fact, we went from 200 sows down to 170 to 175 sows, and we are staying in that area, because while we improved our efficiencies in the process, too, but by the same token I went through the State of Minnesota, with a series of five district meetings, and preached that message, and we had a demand phased in there where we spent some additional pork generated dollars to promote our product, so I think our membership has every right to demand of us as an organization, and from one producer to another, to address this issue, and do the things to get a response that helps this profit picture, because I did an analysis of my farm just recently, and it is back to the time in 1978 when I made an expansion phase out there, and I did a profit and loss analysis, and out of 27 quarters I had 5 quarters of profit, folks. Twenty-seven quarters—21 quarters—22 quarters out of 27 was red ink.

So we went through a period in pork production over the last 5 years or so that has been pretty tough, and I think when we were looking at 1984 as something to sort of heal some of the wounds economically and financially out there in the pork producing farm, then we had other influences, and one of them I think being a very significant one, is this Canadian thing came along and burst that

bubble for us, and I think it behooves us as an organization, and so forth, to address it, and we are looking for some support and help from you, the people who I think can address it for us.

Senator JEPSEN. What is the price——

Mr. GOETTE. The fractional knowledge, to myself, in being realistic, pork production on my farm right now costs me somewhere between 50 and 52 cents. I could have sold hogs yesterday afternoon, to one packer, for $53.50, and profit sometimes, in some circles becomes—it sounds like a dirty word, but, boy, I need some at my place.

So, $55 hogs do not—you know, if I could heal up for about 22 quarters in the past 5, 6 years, I would have had negative positions, and I certainly need something—some margin, something above the cost of production, and 55-cent hogs is a little bit there, but it is not too much help in doing some of the healing up, and we have to get some sustaining power in this thing.

We went through the fall of 1983, the last two quarters of 1983, and we experienced hog prices in that $41, $42 range, and fellows, that just did not add up. It cost me money every time I shipped a hog—tape a $20 bill on his back, and just let him go.

So we went through some tough economic times, and I think our industry is, as best possible, we made numbers of reductions, and so forth, and we are trying to put ourselves on line, to make this thing more positive, and more profitable to us as producers, and there is a number of things, I suppose, that will impact that, but one of the things that is impacting it right now is an emotional issue, our producers are very aware of it, it is very visible to them, and they want this issue addressed.

Senator JEPSEN. Do you think that the livestock producers have been treated fairly, or have they been shortchanged. Have they been more than treated fairly by the Government programs?

Mr. GOETTE. Well, I do not know I think it is some kind of a demand, free trade thing, maybe I am looking for a pie in the sky that is not there. But I think we are in a sad state of affairs, that our best market, say, for corn, is the Government market, the foreign crop projected what it is, and we have a good crop coming now. But because of an abundance of production, good production, why I guess when you are in a desperate position, you look for help wherever you can get it. It is too bad that the best market that we might have might be a Government ceilings program, but certainly, without maybe the Government programs that we had in the past, such as the PIK Program, probably agriculture in total, and maybe pork producers along with it, would be in worse shape.

I also produce grain, about 300 acres of corn, but in our place, basically the 300 acres of corn is used for feed. We raise corn, and we feed it, we raise hogs, but at our place the corn crop has to stand on its own in profitability, and the hogs have to stand on profitability relative to what we could have sold that corn for.

Mr. GINGERICH. Mr. Chairman, we talked about us adjusting our herd size. On page 6, in Secretary Amstutz' comments, he has got a figure in there that may not be accurate, it is the 1983 PIK crop in Michigan was up 79 percent, compared to the national increase of 6 percent, so that was most likely due to a change in a system in counting hogs, and I think that may be an error.

Senator BOSCHWITZ. Well, why do you not drop him a line, to clarify. I would do that right away.

Mr. GINGERICH. OK.

Senator JEPSEN. We made notes of that, and I did not bring it up, but that is true. In fact, it proves my point, that we want to—if you would not mind reading that. That was my notice that I did not read.

Mr. GOETTE. OK. You say it must be pointed out that the 1983 PIK crop in Michigan was up 79 percent compared to the national increase of 6 percent.

Senator JEPSEN. That is not——

Senator BOSCHWITZ. I am going to leave, Senator. If you want to continue?

I have to go over and talk to the Secretary of Agriculture. We are a little late for that meeting.

Senator JEPSEN. Yes.

Senator BOSCHWITZ. So we are going to talk about it.

Thank you, gentlemen.

Thank you, Mr. Secretary.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

STATEMENT OF HONORABLE LARRY PRESSLER
A U.S. SENATOR FROM SOUTH DAKOTA

Mr. Chairman, I would first like to commend you for holding these hearings and thank you for giving me an opportunity to express my concern about the Canadian hog import problem. This issue is of great concern to pork producers and your hearing is very timely.

As you know, the rapidly increasing number of live hogs being imported from Canada is of great concern to American hog producers. The concern is especially great in northern states such as Minnesota and South Dakota where most of the hogs are shipped for slaughter. This is illustrated by the point that nearly one-half of the imported hogs travel through Pembina, North Dakota. The number of imported Canadian hogs has increased to an estimated 750 thousand in 1984. This means those U.S. regions where most of these hogs are received will continue to be heavily affected.

Some of the increased hog imports can be attributed to the strong U.S. dollar and the weak Canadian dollar. There are several other factors that also contribute to the rising hog imports. Canada has initiated an aggressive program to increase hog imports. This has been done by providing farmers with grants and favorable credit terms to build facilities to raise hogs. The provincial governments have also established price support programs for hogs. These encourage farmers to raise hogs by guaranteeing them a certain price for their product. These policies have lead pork production in Canada and increased exports to the United States.

In recent months, I have taken actions in an effort to curb the number of hogs being imported from Canada. These include writing President Reagan and the Canadian Prime Minister urging the two governments to begin negotiations on this issue. I was pleased to see that talks began on July 6 in Canada, but unfortunately, they have not yet been successful. I have also contacted Secretary of Agriculture John Block and U.S. Trade Representative Bill Brock urging them to do whatever possible to curb the number of hogs being imported into the United States.

Recently, another factor became evident in the Canadian hog imports controversy. In the United States, the Food and Drug Administration has banned the use of an antibiotic called chloramphenicol. This drug is commonly used to treat hogs in Canada. As a result, American consumers may be exposed to this drug from Canadian hogs, even though the drug is banned in the United States.

Knowing of the importance of agricultural trade to American farmers, I am not in favor of starting a trade war over Canadian hog imports or any other issue, but it is essential that the United States take a very tough and aggressive position on this matter. I would recommend several steps be taken:

-- The U.S. should insist that a limitation be placed on Canadian hog imports while negotiations are in progress. This would give our domestic producers some relief while an agreement is worked out.

-- Any Canadian hogs imported should be carefully tested to assure that no drugs banned in the U.S. are present in the meat.

-- The number of hogs being shipped through one point of entry to the U.S. should be limited so that a specific local market would not be so adversely affected.

-- If an agreement cannot be reached through negotiations, then the U.S. should take action to limit the number of hogs that can be imported or assess a duty equal to the subsidies that the Canadian producers receive.

I urge the Committee and the Administration to take actions along the lines I have suggested. We do not want or need a trade war, yet we cannot afford to be the "good guy" in international trade negotiations.

Mr. Chairman, I thank you for holding hearings and also for the opportunity to testify.

STATEMENT OF HONORABLE ROBERT E. LIGHTHIZER
DEPUTY UNITED STATES TRADE REPRESENTATIVE

I appreciate the opportunity to submit this statement to the Subcommittee which this afternoon is examining recent developments in U.S.-Canadian trade in live hogs and pork products. USTR's principal interest and responsibility in this matter is to insure that U.S. producers are protected from unfair trade practices. Tied closely to that responsibility is our obligation to insure that any action which may be taken to protect our domestic producers is fully consistent with our international

commitments under the General Agreement on Tariffs and Trade (GATT)--the multilateral agreement which governs most world trade and to which both the U.S. and Canada are signatories.

As a preface to my remarks relating to our concern about the recent high level of imports of Canadian live hogs and pork, I believe it fair and appropriate to point out that in the broad context of international agricultural trade, Canada has been and still is an excellent customer for U.S. farm products. Likewise, the U.S. is a major market for Canadian farmers. During 1983, the U.S. sold $1.8 billion in farm products to Canadian purchasers, while we bought $1.5 billion worth of agricultural goods from our Northern neighbor. Even though live hogs moving from the U.S. to Canada are subject to Canadian quarantine requirements which have complicated and limited trade in that direction for the past several years, the U.S. and Canada have had a long history of relatively free trade in pork products.

Also, since Canada--like the U.S.--relies heavily on overseas sales of agricultural products for its national income, its international trade interests often parallel those of the U.S. For this reason, we frequently share mutual goals with Canadian authorities as we respectively pursue the common interests of our farmers in the decisionmaking process of the GATT and other trade fora. Given these factors and considering the long history of friendship between our two peoples, it is unfortunate that problems occasionally arise which threaten to damage our mutually beneficial and traditionally good relationship in agricultural trade.

Because of our close proximity, the interrelationship between our two economies, and the considerable trade across our common border, often in the same commodity, U.S. and Canadian producers are much more aware of, and sensitive to, the actions of their across-the-border counterparts. Although the volume of live hogs and pork being imported from Canada is relatively small compared to total U.S. hog slaughter, quantities have increased sharply in recent years. To the extent the flow of these larger quantities have focused on certain U.S. markets, they very likely have caused temporary disruption and added to price uncertainty in those markets.

Canada is essentially the sole supplier of imported live hogs to the United States and is by far the largest supplier of fresh, chilled, and frozen pork. Since the late 1970's, U.S. imports of live hogs and pork from Canada have been growing and have swung the trade balance in these items heavily in Canada's favor. The increase in live hog imports from Canada in the past few years has been particularly dramatic. In 1982, we imported about 295,000 Canadian hogs. Last year we brought in over 447,000. Some analysts have estimated that live hog imports from Canada may reach 1 million head this year. Agriculture Canada data indicate that live hog exports to the U.S. during the first half of

1984 totaled 604 thousand head, up from only about 243 thousand head during the same period of last year.

Similarly, U.S. imports of pork products, particularly fresh chilled pork, have increased significantly in the past 5 years. Total U.S. pork product imports from Canada which averaged about 29,000 tons annually between 1970 and 1974 increased to 123,000 tons in 1983. Imports of pork this year may reach 145,000 tons.

Since 1981, imports of live hogs and pork from Canada have averaged 0.5 percent and 1.8 percent, respectively, of the total U.S. hog slaughter and production. During the first half of this year, imports from Canada accounted for about 1.4 percent and 2.3 respectively of total U.S. hog slaughter and pork production.

The strength of the U.S. dollar, favorable prices in the U.S. market, and a number of programs in Canada to encourage hog production have contributed to the shift in live hog and pork trade patterns. More recently, labor problems in Canada's meat packing industry have contributed to further distortions.

In Canada, both Provincial and Federal governments provide support programs for hog producers. The Federal program includes a mandatory minimum support price for hog producers under the Agricultural Stabilization Act of 1958. In the decade of the 70's, the Act did not provide any support because of the high rate of inflation. However, in 1980 and 1981, the Federal Government paid hog producers support payments of approximately $43 million and $106 million Canadian dollars, respectively.

Recently, the Federal Government announced that Canadian producers will receive a $59.1 million payout for hogs marketed during the marketing year which ended in March 1984. Producers will receive $6.54 for each hog sold for domestic consumption between April 1983 and March 1984. Provincial payments are deducted from the Federal payout. In a new development, the Canadian Government is restricting deficiency payments to hogs sold for domestic comsumption. No payments will be made on hogs which are exported--about 20 percent of Canada's total hog production.

An anticipated major modification and consolidation of these Federal and Provincial hog production stabilization programs may be contributing to the current high level of Canadian production. Hogmen and other livestock producers are awaiting the Canadian Federal Governement's proposed National Stabilization Program. The proposed plan is designed to eliminate the plethora of provincial hog programs. Producers have apparently chosen to maintain production at artifically high levels to avoid missing out on any new benefits that may become available under the new program. However, initiation of the new stabilization plan is still uncertain and may be several months away. This development, combined with the likelihood of continued strong prices in North American markets during the second half of this year, is expected to continue to encourage unusually high Cana-

dian hog production into 1985. However, there are signs that output is reaching a peak and that the recent rate of increase will not be sustained in the long run.

Recent labor problems in Canada's meat packing industry are further complicating the picture and pushing more hogs from Canada to U.S. packers. On July 26, workers for Canada's largest meat packing firm voted overwhelmingly to reject a tentative agreement between the firm's management and the United Food and Commercial Workers Union. A resulting strike began July 30 and is expected to idle 12 Canadian meat packing facilities which together slaughter about 25 percent of that country's hogs. This strike and strikes against other Canadian packers have affected an estimated one-third of Canada's hog slaughtering capacity. Depending on the duration of these strikes, it is likely that Canadian exports of live hogs to the U.S. will increase. However, this could be at least partially offset by increased shipments of pork and pork products from the U.S. into Canada.

Finally, it is clear that a significant factor contributing to the increase in imports of Canadian hogs and pork is the current strength of the dollar. The U.S. dollar, which at times during the past decade was worth less than the Canadian dollar, is now valued at 20 to 25 percent more than the Canadian dollar. This is very definitely attracting hogs and pork into our market. In that regard, this problem is part of a larger problem which is affecting U.S. trade across the board. This situation developed over a period of years. While we do expect some further decline in the value of the U.S. dollar relative to the value of the Canadian dollar, it will take some time before traditional relationships are fully restored. We can offer no short-term solutions to trade problems created by unfavorable exchange rates. In the long run, the most effective means to address this very complex and difficult problem is for us to solve our domestic budgetary problems.

The U.S. International Trade Commission has initiated, under Section 332 of the Tariff Act of 1930, as amended, a fact-finding study of trade in live hogs and pork between the U.S. and Canada. This study may be helpful in isolating the primary reasons for the sharp increases in Canadian shipments to the U.S. and determining the impact these shipments are having on U.S. markets. The study is expected to be concluded in late November.

Some have suggested that a unilateral increase in U.S. duties would be an appropriate means for curbing the flow of Canadian hogs and pork into our markets. We are concerned that this could be damaging to the overall interests of U.S. agriculture. U.S. duties for live hogs and fresh, frozen, and chilled pork were bound at zero during the Tokyo Round of Multilateral Trade Negotiations. In exchange for tariff concessions from Canada and other countries, the United States agreed to hold duties on live hogs and pork products at zero. Although Article XXVIII of the GATT does include provisions for renegotiating a duty binding,

the principally affected countries are entitled to compensation. Therefore, if we were to increase our tariffs--or otherwise impair Canada's access to our live hog and/or pork market--we could expect the Canadian Government to seek compensation. Under the rules of the GATT, we could be asked to lower duties on other products--typically closely related products--to rebalance the concessions granted. If no agreement could be reached on compensation--and here I might note that we currently have no authority from the Congress to grant compensation--Canada would be free to retaliate against the United States by raising duties on products we export. In effect, we could be trading off an increased level of protection for one sector for a decreased level of tariff protection for, or retaliation against, another U.S. industry. For this reason, USTR generally advises against proposals to increase duties bound in the GATT.

To the extent that Canadian subsidies are significantly contributing to increased U.S. imports of live hogs, we have advised that the most appropriate and most effective course of action would be for the U.S. industry to petition for the imposition of contervailing duties. We understand that the National Pork Producers Council has recently retained counsel to prepare such a petition. Our contervailing duty laws permit U.S. industries being adversely affected by subsidized imports to petition the Secretary of Commerce to initiate a countervailing duty investigation. For countervailing duties to be imposed, the Commerce Department must accept the petition, conduct an investigation, and find that Canadian producers are benefiting from subsidies. In addition, since Canada is a member of the Subsidies Code of the GATT, an injury test would be required. This means that a positive determination by the Commerce Department on subsidies would have to be accompanied by a finding by the U.S. International Trade Commission that our domestic industry is being materially injured, or threatened with material injury by the Canadian subsidies before countervailing duties could be imposed. If both determinations are positive, countervailing duties would be applied equal to the amount of the subsidies found and would remain in force until a subsequent review determined that subsidies were no longer being paid. U.S. countervailing laws and procedures are consistent with our international obligations under the Subsidies Code and are not subject to compensation requests or retaliation by affected countries.

With the support of many in the Congress and in the U.S. agricultural community, the Administration has been attempting to resolve this difficult problem through bilatral consultations with representatives of the Canadian Government. In early June, Ambassador Bill Brock, the U.S. Trade Representative, met in Ottawa with Canada's Trade Minister to discuss a wide range of U.S.-Canadian trade problems. Ambassador Brock used that occasion to express U.S. concern about the sharp rise in shipments of Canadian hogs and pork into our markets. He suggested that appropriate officials of our two governments meet to discuss and

seek a solution to this trade irritant as soon as possible. Canadian trade officials agreed to Ambassador Brock's proposal.

On July 6, a team of U.S. officials, led by the Assistant U.S. Trade Representative for the Americas and composed of other USTR and USDA personnel, met in Ottawa with Canadian trade and agriculture authorities. In response to inquiries from the U.S. delegation, the Canadians attributed the recent shift in U.S.-Canada hog and pork trade patterns to the strong U.S. dollar, labor problems in the Canadian meat packing industry, and substantial expansion in hog production in Canada's Eastern Provinces. This structural adjustment in the hog industry is related to increased availability of feedgrains in the provinces of Quebeck and Ontario and to more limited alternative opportunities for Canadian livestock producers because of marketing restrictions in place for dairy and poultry operations. While the Canadians do not foresee a reversal in hog production in the Eastern Provinces, they are expecting a more modest growth rate in the years ahead. Canadian officials indicated that they, too, are concerned about the flow of hogs into the U.S. for slaughter since this represented the transfer of jobs from Canada to the U.S.

In closing out the discussion, representatives of both governments recognized the extreme sensitivity of this issue with our respective hog industries. Both sides agreed that the U.S. International Trade commission study that had recently been initiated could provide useful informaton regarding the specific reasons for the shift in trade patterns as well as indications for the future. The U.S. delegation indicated that it would continue to closely monitor this situation and seek a solution consistent with our international obligations under the General Agreement on Tariffs and Trade.

STATEMENT OF ALAN F. HOLMER, DEPUTY ASSISTANT SECRETARY FOR IMPORT ADMINISTRATION, UNITED STATES DEPARTMENT OF COMMERCE

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today to describe the unfair trade laws we administer at the Department of Commerce and how, through these laws, we might be of assistance to the pork industry and hog farmers in the United States who feel that they are being injured by imports of hogs from Canada.

My primary responsibility is to administer the antidumping and countervailing duty laws--vigorously and fairly. These laws are designed to protect U.S. industries from imports that are unfairly traded, through subsidies or sale in the U.S. at less than their fair value (dumping), and that cause or threaten material injury to a U.S. industry.

A U.S. industry suffering from import competition only needs to file a petition alleging subsidies or dumping. The burden is then on Commerce and the International Trade Commission to investigate the charges. The ITC makes a preliminary decision whether the U.S. industry is materially injured. If it preliminarily finds injury, we ask foreign governments and companies for information about subsidies or sales prices, as appropriate. If they do not respond, we normally use information provided by U.S. industry for our decisions. Since 1980, the Commerce Department has found subsidies or dumping in more than 90% of the cases which have reached a final determination. If we find subsidies or dumping, the ITC then determines finally whether the U.S. industry is materially injured by reason of subsidized or dumped imports.

Since 1980, Commerce has initiated over 400 antidumping (AD) and countervailing duty (CVD) investigations, a dramatic increase over prior years. In contrast, since 1980, U.S. industry has filed only ten petitions with the ITC for escape clause relief (alleging only that imports are seriously injuring a U.S. industry), and 22 petitions with the U.S. Trade Representative for relief from other unfair trade practices abroad.

Why is the AD/CVD law so popular? The principal reason is that this statute (and the regulations under it) are extremely specific and detailed; they require that we decide cases strictly on their merits, without regard to foreign relations or domestic political considerations.

This was not always the case. Prior to 1980, the AD/CVD law lacked detail. Congress grew dissatisfied with it perceived to be deference to foreign policy concerns and generally ineffective enforcement of the law. To cure these and other deficiencies, Congress enacted a very detailed statute with many safeguards: increased opportunities for judicial review, tight deadlines for decisions, and requirements for public hearings and publication of reasoned decisions. In addition, the law's administration was transferred from Treasury to Commerce.

Since 1980, Commerce has marshalled a dedicated and hardworking cadre of over 130 import specialists who vigorously and fairly implement the AD/CVD law. We have never missed a statutory deadline. We have issued sound, well-reasoned decisions that have withstood intense Congressional and judicial scrutiny.

With regard to pork producers in particular, the dramatic increase in the level of imports of hogs from Canada has prompted a letter to us from the Iowa Pork Producers Association. We have responded to this letter by providing a package of information about U.S. countervailing and antidumping duty laws and how to go about filing a petition. In fact, we understand that the National Pork Producers Council, representing the U.S. industry, intends to file a countervailing duty petition with the Department of Commerce. If the U.S. pork producers have evidence that

the Canadian government is subsidizing Canadian hog exports and that our industry is suffering material injury as a result of the Canadian imports, I urge the industry to file a countervailing duty petition. If there are subsidies being given to pork producers, we will find them. We are always ready to explain to petitioners what information is needed to file a petition, where they might locate such information and how to prepare the petition itself.

We are particularly sensitive to the special concerns of the agricultural sector, realizing that the timeliness of our decisions is imperative to the continued economic viability of our farmers and ranchers.

Thank you for your attention. I would be pleased to answer your questions.

STATEMENT OF WILLIAM GOETTE, VICE PRESIDENT,
NATIONAL PORK PRODUCERS COUNCIL, ALDEN, MINN.

Mr. Chairman and Members of the Subcommittee:

The National Pork Producers Council appreciates the opportunity to appear before this Subcommittee to discuss the issue of agricultural imports.

The National Pork Producers Council represents over 110,000 pork producers and their families in 38 states. Our organization represents virtually all commercial pork producers in the United States.

Mr. Chairman, U.S. pork producers are a very independent group. They have historically declined government assistance. They believed they were making real progress in the past year when they voluntarily cut back their swine numbers in order to try and better balance supply and demand. That effort was successful and was accomplished without the aid of any government subsidization program.

After making these disciplined, economic sacrifices, our producers have been increasingly frustrated as Canadian producers appear to have targeted their production for the North American export market.

The dramatic increase in the number of Canadian hogs and pork product imported into the United States is causing a great deal of concern among U.S. producers.

In the first six months of this year, live hog imports from Canada were up an incredible 148 percent compared to the same period in 1983. Specifically, in the first half of 1983, some

243,418 hogs entered the U.S. from Canada. In the same six-month period of this year, that figure had risen to 603,682 head and already exceeds by over 150,000 head, the number of live hogs imported from Canada to the U.S. for the entire 12-month period of 1983 (447,391).

To put the dramatic increase in better perspective, seven years ago, Canada exported to the U.S. only 42,995 head of hogs for the entire year. By 1983, nearly 20 percent of Canada's pork production was imported to the United States as live hogs and pork. At the present rate of increase, Canadian imports of live hogs and pork product to the U.S. this year will represent 35-40 percent of their total pork production in 1984.

The unusually high import increases are not confined to live hogs. There was a 34 percent increase in fresh or chilled pork imports from Canada during the first six months of 1984, and a 15 percent increase in frozen pork, a total of 77,599 metric tons of pork product entering the U.S. from Canada. In all of 1983, Canada exported 120,556 metric tons of pork product to the U.S. Seven years ago, the imports of Canadian pork (chilled, fresh and frozen) totalled only 12,143 metric tons for the entire year.

University of Missouri economist Glenn Grimes estimates that U.S. pork producers have been economically impacted as much as $4.24 per cwt in the first half of 1984 by Canadian hog and pork product imports, or as much as $470 million. Grimes previously had estimated the impact of these imports on U.S. producers at in excess of one-half billion dollars in 1982 and again in 1983. At the present rate of increase, the economic impact on U.S. producers in all of 1984 may well approach or even surpass one billion dollars.

Estimated Impact of Canadian Pork, Hog Exports On U.S. Pork Producers

Year	Cwt. Impact	Total Impact
1982	$1.19-$2.97	$236-$579 million
1983	$1.12-$2.80	$236-$583 million
1984*	$1.60-$4.24	$178-$470 million

*First six months

SOURCE: Glenn Grimes, Ag. Economist, University of Missouri

Six-Month Comparisons of Canadian Pork, Hog Exports To U.S.

	Jan.-June 1983	Jan.-June 1984	% Change
Live Hogs (per head)	243,418	603,682	+148%
Fresh and Chilled Pork (metric tons)	44,325	59,257	+ 33%
Frozen Pork (metric tons)	15,895	18,347	+ 15%

SOURCE: USDA

Canadian Imports of Live Hogs to the United States

	1977	1978	1979	1980	1981	1982	1983
Number of Head	42,995	202,109	136,516	247,247	145,652	294,933	447,391

U.S. Exports of Live Hogs to Canada

	1977	1978	1979	1980	1981	1982	1983
Number of Head	511	205	305	526	772	1,044	203

Canadian Imports of Pork Products to the United States

(Figures are in Metric Tons)

	1977	1978	1979	1980	1981	1982	1983
Pork (Fresh or Chilled)	2,266	10,491	28,971	64,353	61,867	91,165	93,151
Pork (Frozen)	9,877	17,271	17,165	24,160	25,088	30,909	27,405

U.S. Exports of Pork Products to Canada

(Figures are in Metric Tons)

	1977	1978	1979	1980	1981	1982	1983
Pork (Fresh, Chilled Carcass)	20,853	8,354	5,851	3,123	256	46	68
Pork (Frozen)	1,431	3,512	1,597	1,662	1,819	1,398	1,800

Mr. Chairman, Canadian pork imports are an extremely emotional issue with U.S. producers who have had only one good year of profit out of the last five years. They had been looking to 1984 as the year profitability could be restored, but the increased imports from Canada may be enough to make that fragile dream only a false hope.

Canadian pork producers, in the one-year period ending March 31 of this year, received a $6.54 per head subsidy from their government for every hog they sold. They don't call it a subsidy, but rather "deficiency payments." It accomplishes the same thing, in that it provides monetary government incentive to raise more hogs. U.S. producers have never sought, and do not now seek, a subsidy of any kind from the U.S. government.

All U.S. pork producers want is an opportunity to compete on an equal basis with their counterparts doing business within the United States. They cannot do that when the foreign producer is government subsidized, regardless of the name attached to the practice.

It is obvious that while U.S. pork producers were voluntarily cutting back their swine herds during the past year in an attempt to bring their product more in line with supply and demand, Canadian producers, with the full encouragement and monetary support of their government, were targeting the U.S. market to take advantage of the shorter domestic hog supply and the strong U.S. dollar.

As one U.S. pork publication recently pointed out, "Canadian pork producers have their foot to the floor on production plans. The U.S. market is positively on fire, as far as Canadian producers are concerned." To complicate the matter further, a strike that started less than two weeks ago has closed down 12 packing plants in Canada and there are indications it may be a lengthy labor dispute. That will force even more thousands of Canadian hogs into U.S. plants for slaughter.

Mr. Chairman, U.S. pork producers do not seek protection from fair outside competition. They have no desire to jeopardize trade relations with Canada, one of our nation's best agricultural trading partners. U.S. producers want an opportunity to compete in their own nation on an equal basis with their pork producer counterparts from other nations. All they ask is restoration of fair trade in pork commerce between our two nations. Our pork producers are asking for fair and equal enforcement of safety and health regulations from U.S. agencies who are mandated to provide such enforcement.

Hogs and feeder pigs entering Canada from the United States are now quarantined at the border for 30 days prior to entry into Canada because of Canadian pseudorabies quarantine regulations. Meantime, hogs and feeder pigs entering the United States from Canada have no such restrictions and are not even tested by

United States authorities for disease control. All that is required is a veterianarian's certificate stating that the hogs have been free of communicable disease for 60 days. As a result of the unreasonably long Canadian quarantine period, only 203 live hogs entered Canada from the United States in the entire year of 1983. During the same 12-month period, over 447,000 Canadian hogs entered the United States. Is this reasonable and equal disease enforcement?

The U.S. Food and Drug Administration has outlawed the use of an antibiotic known as cloramphenicol in animals produced for food in the United States. It is used to treat certain bacterial and viral diseases in animals. The antibiotic is not restricted from use in food-producing animals in Canada and reportedly is used rather commonly there. When the National Pork Producers Council pointed out to Food and Drug Administration and U.S. Agriculture Department officials earlier this ye[illegible] the potential problems that could result in the co-mingling of chloramphenicol-treated animals and product from Canada with the U.S. pork supply, it was met with dead silence from the U.S. agencies involved. It would appear to us to be a simple matter of consistent and fair enforcement, with livestock animals and meat products entering the United Staes, being requested to adhere to the same health and safety regulations being applied to domestic producers in the United States. At the moment, those health and safety regulations are not enforced equally by our own U.S. agencies.

Mr. Chairman, U.S. producers fully understand the importance and complex nature of foreign trade; but, they feel they have become an expendable factor in the interest of other commodities and manufactures for much too long.

The National Pork Producers Council has take several steps in recent months in attempts to call attention to the Canadian hog and pork import problem and, hopefully, to encourage a correction of this frustrating situation in an orderly manner.

On May 1 and 2 of this year, representatives of our oranization met with Canadian Pork Council officials in Ottawa. We were treated cordially, but there was no assurance of any voluntary restraint on the part of the Canadians. They indicated at the time that the current situation was only temporary, and that Canadian production had leveled off, and exports might begin to drop sometime in the future.

Instead, these imports have continued to rise dramatically. Jack Mills of the USDA Foreign Agricultural Service was quoted in the June 15 issue of National Hog Farmer magazine as saying that all signs point to the balance of pork trade favoring Canada over the U.S. for some time to come. "It looks pretty dismal," Mills is quoted as saying. U.S. Agricultural Secretary John Block agrees there's a problem. In an interview in Indianapolis last

week, the Secretary said, "I'm convinced Canadian hog imports are hurting our markets and keeping hog prices down."

NPPC is supporting legislation introduced in the U.S. House of Representatives (H.R. 5206), which would direct the Secretary of Agriculture to determine the level of government subsidies offered to Canadian pork producers. Under the proposed legislation, the Secretary of Treasury would be required to impose an import duty on Canadian producers to offset any net advantage caused by the government subsidies.

In support of this legislation, the nation's pork producers are not advocating import quotas. We simply seek the opportunity for U.S. producers to compete in their own country on an equal basis with foreign pork producers. It is impossible for them to do so when foreign producers are subsidized by their government.

Earlier this year, NPPC was successful in urging that the U.S. International Trade Commission launch a fact-finding process to document what impact Canadian hog and pork imports to the U.S. are actually having on U.S. producers. That ITC probe is now underway with a report on its findings now expected in late November.

The NPPC is in the process of preparing a petition to be filed with the U.S. Department of Commerce and the U.S. International Trade Commission, requesting that countervailing duties be imposed on live hogs and, perhaps, pork products entering the U.S. from Canada. We are considering similar action aimed at the European Economic Community of nations. It is our understanding that such duties are not subject to retaliation or compensation requests from other nations, and this would not jeopardize the General Agreements on Tariffs and Trade involving other U.S. agricultural commodities. Our organization will continue to seek additional ways to counter the continuing threat of Canadian hog and pork imports.

Mr. Chairman, the increasing importation of Canadian hogs and pork is playing economic havoc with the voluntary sacrifices made with U.S. producers. A great many of these producers have had to call it quits in the past year or so, and many others are teetering on the edge of bankruptcy at this moment.

The nation's pork producers need immediate relief from the present circumstances that are working such an unfair hardship on them. All U.S. producers ask is that the situation be equalized; that hog and pork trade with Canada be once again made a two-way street, so that U.S. pork producers may compete fairly with their Canadian counterparts in the U.S. market.

Thank you for your kind attention and this opportunity to explain the facts to the Subcommittee.

STATEMENT OF GEORGE W. PETTIT, EXECUTIVE COMMITTEE MEMBER, NATIONAL PORK PRODUCERS COUNCIL, PRINCETON, KY

Distinguished Members of Congress:

As a citizen of this nation, I feel compelled to inform you of the plight of a significant constituency, The American Pork Producer.

Since 1979, our economy in the pork industry has been subjected to calamitous influence beyond the control of the individual producer. Significant embargoes, high interest, PIK programs, harsh weather, nitrite condemnations by administrative personnel and implied threats by credible health organizations and media that pork or red meat is harmful to your well-being have weighed heavily upon the man on the farm.

He has persevered, responding with positive self-help programs designed to illuminate the facts and expose the innuendoes. Each time positive results for the consumer and the producer have been achieved.

In 1983, the producer recognized the troublesome and burdensome excess of his commodity. A weak economy and the excess wholesale-retail price spread in 1983 increased the impact of too many hogs. The producer leadership went to the grass roots and asked for a voluntary cut-back of numbers. They went to major packers and retailers and asked for an increased emphasis on moving the product to the consumer. The industry responded. A balance was achieved with all segments assuming heavy responsibility.

But alas, just as we were to turn the corner and recapture some of the lost profits of 1980-1981 and '83, the flood of imports from our northern borders weighed against our profits. Live hog imports are up 148% over 1982. Frozen pork tonnage is 18,347 metric tons; fresh and chilled is 59,257 metric tons. Both represent significant increases over 1982. A metric ton of the above represents about 14 hogs. This equates to over 1,100,000 head plus over 600,000 live hogs, thereby bringing the grand total to over 1,700,000 imported Canadian hogs. A noted and esteemed agricultural economist has estimated the impact of these imports to be costing American producers over $9.00 per head. The strong dollar has excited a stampede of Canadian pork into this nation's marketplace.

Has our effort been in vain? Have we farmers been abandoned? Are we producers to idly sit back and allow another nation destroy the last fragments of hope left to the family farmer? Can we in the conscience of morality and decency allow a potentially fatal drug to be imported into our food chain?

We producers have never asked this body to bail us out or to help us reduce supplies. We have suffered quietly while embargoes skewered the supply of grain thus building over-supplies of pork. We have suffered quietly while the PIK program drove the price of grain up when we were faced with narrow margins. We challenged and lost the "Dairy PIK" which placed increased tonnage of red meat on the market, thus limiting prices for our product. We have responded to our critics in a factual, realistic assessment of the information available on nitrites and the on-goining diet-health controversy. We have asked only for research funds to ensure a continuous supply of quality pork in our food chain.

Now we must ask for immediate help to stop the imports of subsidized live and processed pork from Canada. We come to you, the elected citizens of this nation, pleading the case of the family farmer to put an end to this banditry upon our well-being.

I wish to thank the distinguished members of Congress for this moment to appeal to you the plight of the American Pork Producer.

STATEMENT OF ALBERT E. POPE, PRESIDENT,
UNITED EGG PRODUCERS

Mr. Chairman, on behalf of the United Egg Producers (UEP), I would like to express my appreciation for the opportunity to present testimony before your Subcommittee.

The United Egg Producers is a federation of four regional egg marketing cooperatives. Our membership comprises greater than 60% of the nation's egg production from the 48 contiguous states.

In like fashion to the pork producers of the United States, the egg producers are increasingly concerned over the unfair trading practices with our neighbors to the North. The Canadian egg producers have been operating under a supply-management program administered by the Canadian Egg Marketing Agency (CEMA) since 1972. This system controls domestic production by quota and aids the marketing of surplus eggs through CEMA. This controlled marketing system permits the exportation of these surplus eggs to the U.S. In 1983, Canada shipped close to 550,000 cases (30 dozen shell eggs per case) to the U.S.--nearly 4% of their total production. If the U.S. producers shipped 4% of our production to Canada we could supply close to 50% of their total needs. In 1983, Canada shipped 544,361 cases compared to 67,062 cases in 1982.

UEP's complaints to the Canadian egg producers were met with a statement from the Canadian Minister of Agriculture that their egg industry's supply-management program necessitated steps to protect itself and that exports to the U.S. were an integral part of that protection. CEMA reported at their recent meeting that

exports in 1983 increased by 124%, and that 90% of that increase were shipments into the U.S. The supply-management program operated by the Canadians cost those producers the equivalent of $18.48 per 30 dozen case to ship that 90% to the U.S. This indirect subsidy nearly exceeds the total cost of production in the U.S. to produce a 30 dozen case of shell eggs.

Egg exports from the U.S. to Canada is a completely different story. Thus far this year the quantity of exports from the U.S. into Canada have totalled 26,492 cases compared to 80,584 for the same period last year. The U.S. exports to Canada are limited by global permit, to 0.675% of their previous year's domestic gradings. This year that will amount to approximately 95,000 cases, or 17% of what they shipped to us. Supplemental permits are available, but only when Canada cannot supply a certain size or color. These supplemental permits are issued only if the supply is not available: price has nothing to do with its issuance. In other words, the U.S. is used for supply when and only when Canada deems it is in their interest to purchase.

In addition to these restrictions the rules for the global permit have recently been changed. In the past, the U.S. was able to supply eggs on a year-round basis. We are not limited to ship only during periods specified by Canada. These periods will generally fall prior to Easter and prior to Thanksgiving and Christmas holiday periods. These periods are when our domestic demand is the greatest. It is extremely difficult to base any long-term production on these periods of short-term demand. There is no question that the Canadian government through CEMA protects its egg producers at the expense of U.S. egg producers.

UEP has recently testified on the 1985 Farm Bill supporting a fair trade policy. We cannot tolerate the continuation of being a receptacle for Canadian surplus production with little opportunity to sell our product to Canada at fair market values. We have tolerated this role long enough. It is time to take a stand against these unfair trading practices.

Therefore, the U.S. egg industry would greatly appreciate the opportunity to join forces with the U.S. pork producers in building a sense of fair trade with our neighbors to the North.

UEP applauds your efforts and wishes to lend its assistance to you and your staff in dealing with this problem.

U.S. Council for an Open World Economy
INCORPORATED
7216 Stafford Road, Alexandria, Virginia 22307
(202) 785-3772

Statement submitted by David J. Steinberg, President, U.S. Council for an Open World Economy, to the Senate Subcommittee on Foreign Agricultural Policy (of the Committee on Agriculture, Nutrition and Forestry) in a hearing on the surge of hog and pork imports from Canada. August 9, 1984

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any "special interest".)

The recent, current, substantial rise in Canadian shipments of pork and live hogs to the United States is traceable to a variety of causes -- including the extraordinary strength of the U.S. dollar vis-a-vis the Canadian dollar (reflecting the impact of huge U.S. government deficits on U.S. interest rates) and the extraordinary Canadian incentive to export resulting from federal and provincial price-support assistance to Canadian hog and pork producers. U.S. hog and pork producers are also adversely affected by Canadian import barriers that impede the shipment of U.S. hogs to Canada (there are no comparable U.S. barriers against Canadian hogs), and by Canadian barriers impeding exports of European pork products to Canada (thus inducing increased European efforts to ship such products to the United States, increasing the difficulties for competing U.S. producers). Beyond these and other factors attributable to government policies, there are the normal dynamics of market forces influencing two-way trade in hogs and pork across our northern border, sometimes resulting in good returns, sometimes not so good, for U.S. agriculture.

U.S. farmers who raise hogs and produce pork claim that substantial injury has occurred or is threatened from these imports. Although the impact on U.S. producers varies and in some cases has been described as only modest, the general concern expressed by this sector of American agriculture is understandable and merits the close attention it appears to be receiving from the Administration, the Congress and the International Trade Commission. Discussions are under way between the governments of the United States and Canada to determine what if any steps should be taken by the Canadian government. All appropriate steps should be pursued in accordance with international trade rules to determine what if any governmental remedies are necessary and proper. Legislation imposing import restriction to counter allegedly disruptive imports should be avoided as itself disruptive of U.S. trade with Canada and of U.S. agricultural exports in particular, taking account of retaliatory ramifications. As a last resort if serious injury

to U.S. producers is found to have occurred or to threaten, some form of temporary import restriction (negotiated with the Canadian government if possible, unilateral if absolutely necessary) might be justifiable, pursuant to procedures available to U.S. producers under existing U.S. trade legislation. If any import restraint is justifiable on fairly traded exports from Canada, I would strongly prefer to see it as only one component of a coherent, comprehensive adjustment strategy addressing in their totality the real problems and needs of our hog-and-pork industry in the context of protecting the overall public interest. Such a strategy, into which a long-term free-trade premise should be factored, would be designed (quoting the proposed Senate resolution S.Res.431, appearing in the Congressional Record of August 9, 1984) "to protect the economic viability of the United States pork industry" -- although a strategy of this scope, transcending possible limitations on imports, is not what the resolution appears to intend.

I applaud the stand taken by spokesmen for this industry in favor of free trade, and of fair trade as a vital condition for a free-trade policy. Our Council believes, and it alone has advocated, that a determined effort to secure and sustain explicitly free trade on the part of the world's economically advanced countries (no such strategy exists or has ever existed) is indispensable to securing and sustaining totally fair trade. A "free trade" strategy of this scope would impel, indeed compel, totally fair trade; a strategy to achieve totally fair trade is indispensable to the programming of totally free trade. In this regard, fully equitable trade with Canada in hogs and pork can be achieved only in conjunction with a comprehensive "free trade area" comprising the two countries bilaterally or as part of a multilateral free trade area. Consummation of such an agreement affecting all trade between the United States and Canada would reflect trade-offs in which the interests of both countries with respect to all products are given appropriate weight. Current U.S. interest in negotiating sector "free trade" arrangements with Canada on certain industrial products would leave the problems and needs of other sectors (for example, hogs and pork) unattended to, and is an approach to which I take exception on other grounds as well.

Thus, I urge U.S. hog and pork producers, and U.S. legislators especially responsive to their interests, to urge an all-inclusive free-trade arrangement with Canada (either bilaterally or as part of a broader geographical composition) as the framework for dealing effectively with the needs of this particular sector, in addition to the importance of such an objective to the total national interest of the United States.

○